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ESTABLISHED 1887

First Black Mayor Elected in Chicago In Record Turnout

By Kevin Klose
Washington Post Service

CHICAGO — Harold Washington, a Democratic congressman, claimed victory Wednesday as the first black mayor of Chicago, defeating Bernard E. Epton, a Republican, in a strong finish to a bitterly contested election that attracted a record 85-percent turnout of eligible voters.

With the votes in 2,885 of Chicago's 2,914 precincts counted in Tuesday's election, Representative Washington had 656,727 votes, or 51.4 percent, to Mr. Epton's 517,159, or 48.3 percent.

In his victory speech before a vast crowd that greeted him with a 15-minute ovation Wednesday morning, Mr. Washington said, "We've fought the good fight with unseasoned weapons and a phalanx of people who have never been involved before in a political campaign. This was truly a pilgrimage."

He promised that his administration would include "more people and more kinds of people than any government in the history of Chicago."

In an effort at reconciliation after a contentious campaign, Mr. Washington said, "The whole nation is watching as Chicago sends a profound message out of the crucible of this city's most trying election."

Blacks, whites, Hispanics, Jews, gentiles, Protestants and Catholics, he said, "have joined together in a new coalition."

Earlier, Mr. Epton left his Palm-House Hotel election night headquarters without publicly conceding defeat before his massed supporters. But in a brief, "after television interview just before he reached home, Mr. Epton said he had to "face facts."

Appearing exhausted and talking in a rambling voice, he said: "I certainly hope the city will prosper under the new mayor."

He said he wished Mr. Washington luck, and added: "He'll certainly need all the good help and talent he can get. His expertise in the area of finances certainly will be a lot to be desired. But maybe he'll earn to pay bills promptly and certainly pay his taxes promptly."

Mr. Epton was referring to Representative Washington's failure to file federal income tax returns for our years, for which he received a misdemeanor conviction in 1972 and spent 36 days in jail, and to the property taxes he still owes on an apartment building, since said, that city inspectors have declared unfit for habitation.

Mr. Epton continued: "The black friends that I've lost — perhaps it's just as well that I found out at this stage."

He added: "But certainly, in the future, I'll save a lot of money in charitable causes."

Mr. Epton, had he won, would have been the city's first Republican mayor in 52 years.

A millionaire attorney and former state legislator, Mr. Epton, 61, had predicted earlier in the evening that he would win. He had led in vote totals throughout much of the evening until a late surge put Representative Washington ahead.

Mr. Washington, a two-term congressman who will be 61 Friday, changed the political, racial and social history of Chicago in the five months since opening his candidacy for mayor.

He began as an underdog whose political base seemed limited to his First Congressional District in the city's South Side.

But he put together a volunteer campaign that first rolled out a massive black voter-registration drive last autumn and then defeated the heavily financed campaigns of James M. Byrne, the incumbent mayor, and Richard M. Daley, the Cook County state's attorney, for the Democratic nomination in the Feb. 22 primary.

In the general election campaign against Mr. Epton, Representative Washington concentrated on raising the black turnout to new records and holding down Mr. Epton's strength in the lakefront and Hispanic wards while conceding heavy losses in the white ethnic wards on the northwest and south-west sides.

World and national attention focused on the campaign after Representative Washington captured the Democratic nomination by turning out a massive black vote of which he won about 85 percent, while Mr. Byrne and Mr. Daley split the majority white vote.

Then Mr. Washington wound up winning by 30,000 votes over May or Byrne.

Hispanic voters turned out in record numbers, Democratic Party officials reported Wednesday. The 93,000 Hispanic voters were targeted by both candidates.



Bernard E. Epton



Harold Washington as he claimed victory Wednesday after Chicago's mayoral election.

U.S. House Panel Rejects Plan For Military Aid to Salvador

By Martin Tolchin
New York Times Service

WASHINGTON — A House Foreign Affairs subcommittee has dealt a blow to administration policies on Central America, voting to reject a request for additional military funds for El Salvador and to prohibit U.S. aid to Nicaraguan rebels in the absence of a joint resolution of Congress.

Representative Michael D. Barnes, a Maryland Democrat who is chairman of the Inter-American Affairs Subcommittee, said repeatedly that the actions Tuesday reflected the views of a majority of the committee.

But Representative Henry J. Hyde, an Illinois Republican, said that in a single day, "We have rendered vulnerable the democratically elected government of El Salvador, and protected the Marxist government of Nicaragua."

Meanwhile, Thomas O. Enders, assistant secretary of state for inter-American affairs, told the Senate Foreign Relations Committee that the United States had warned the Soviet Union and Cuba against sending advanced fighter aircraft to Nicaragua.

"It is conceivable," Mr. Enders said, "that Cuba or the Soviet Union could be tempted to escalate the conflict in Nicaragua by 'introducing modern fighter aircraft or even Cuban combat troops.'"

"Clearly a dangerous situation would then develop," he said, "unacceptable not only to Central America but to the American nations as a whole. We have communicated to Moscow and Havana how dangerous such a move would be."

Mr. Barnes's subcommittee, in a spirited session punctuated by a series of party-line voice votes, rejected President Ronald Reagan's supplemental request for \$50 million in military aid for El Salvador, reduced from \$86.3 million to \$36.3 million the military-aid request for the 1984 and 1985 fiscal years, and voted to make U.S. aid conditional upon further assurances that U.S. advisers be limited to 55 and Salvadoran democratic procedures be strengthened.

The committee also adopted a proposal to prohibit any U.S. aid to Nicaraguan rebels "directly or indirectly," unless specifically requested by the president and approved by a joint session of Congress.

Mr. Hyde said that such a proposal would effectively eliminate the possibility of U.S. covert operations in that nation.

Senator Barry Goldwater, the Arizona Republican who is chairman of the Senate Intelligence Committee, said after a Tuesday briefing by William J. Casey, director of central intelligence, that he was convinced the CIA was not violating the letter or the spirit of the amendment barring the CIA from trying to overthrow the Sandinist government in Nicaragua.

"There has been a good deal of confusion and misinterpretation in the press recently," Mr. Goldwater said, "regarding the issue of whether the CIA is operating within the constraints of the law. I am convinced that no such activities are being undertaken by the United States government for the purpose of overthrowing the government of Nicaragua or for provoking a military exchange between Nicaragua and Honduras."

James H. Michel, deputy assistant secretary of state for inter-American affairs, declined to assure the committee that the administration was abiding by the treaty of the Organization of American States, which prohibits intervention to undermine the government of a member state.

"The intelligence committees are the appropriate forum," Mr. Michel insisted, for a discussion of the U.S. role in Nicaragua. He added that "the United States is not acting in violation of U.S. law, to the best of my knowledge."

Representative Gerry E. Studds, a Massachusetts Democrat, replied: "The OAS charter is a treaty and is the law of the land. The committee is not making any other commitments until a press conference he has called for next Tuesday. 'I have a headache, I am too tired to say more,' Mr. Walesa said.

The government statement announcing Mr. Walesa's release, carried by the official news agency PAP, said: "Western agencies have reported about Lech Walesa's meeting with the illegal so-called provisional coordinating commission of the former Solidarnosc union."

"Today a talk was held with Lech Walesa at the citizens' militia voivodship headquarters in Gdansk during which he did not confirm the above information. After explanations, Walesa was allowed home."

Polish Police Query Walesa for 5 Hours

By John Kifner
New York Times Service

WARSAW — Polish police held Lech Walesa in custody for five hours Wednesday, questioning him about his secret meeting with the fugitive leaders of underground Solidarity.

Mr. Walesa, the former leader of the outlawed union, was released Wednesday evening, according to an announcement broadcast over the state radio.

Tuesday, Mr. Walesa issued a statement to foreign journalists saying that he had met secretly over the weekend in a strategy session with five underground leaders. The five comprised a group called TTK, the Polish initials for "provisional coordinating commission."

Mr. Walesa's terse statement said he and the TTK members had "discussed in detail the country's present situation, and coordinated their stand."

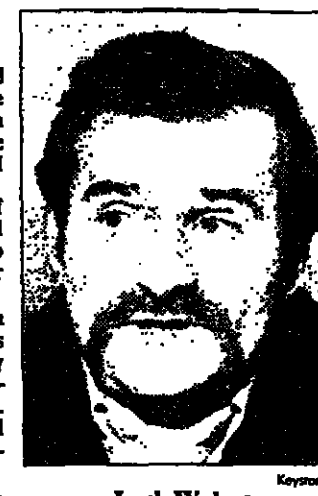
Three armed policemen took Mr. Walesa from his apartment early Wednesday afternoon in an unmarked car, and returned him home in a police car five hours later.

"I refused to reply to their questions," Mr. Walesa said upon his return. He said he had cited a statement made Tuesday by Jazzy Urban, a government spokesman, that such meetings in themselves were not illegal.

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Lech Walesa

West German Census Postponed Until Its Legality Can Be Studied

KARLSRUHE, West Germany — West Germany's Federal Constitutional Court postponed indefinitely Tuesday a controversial national census planned for April 27 to allow time for an examination of its legality.

The decision, by a 5-3 vote of the court's eight judges, was a victory for the country's anti-census campaign, which has drawn support from trade unionists, various conservatives and the opposition Social Democratic Party.

Two Hamburg lawyers and a law student had sought the injunction against the census, which would cost 380-million Deutsche marks (\$152 million), to allow time for the courts to decide whether it would infringe on constitutional rights to privacy.

Ernst Benda, president of the court, said everyone's constitutional rights would have been violated if the census had gone ahead and a court subsequently found that it was illegal. The ruling did not foreshadow any final decision on whether the census would take place, he said.

Setback for Government

Henry Tanner of the International Herald Tribune reported: The court's decision is a major setback for the government of Chancellor Helmut Kohl.

After a short debate in Parliament on March 29, the government had announced that it would go ahead with the project despite the objections. Interior Minister Friedrich Zimmermann declared that he was giving "personal guarantees" to the West German citizens that the data collected in the census would not be misused and that civil rights would not be violated.

The parliamentary debate had been requested by the Greens, the party of civil rights advocates and antiwar militants that won representation in the Bundestag for the first time in the last election. But speakers for the Social Democrats, the main opposition party, almost called for a postponement of the census. Many political figures had done likewise, including Franz Josef Strauss, the conservative minister-president of Bavaria whose Christian Social Union belongs to the Kohl coalition.

Before the Constitutional Court got everybody off the hook, it had appeared that West Germans would do grave damage to their reputation as a nation of obedient citizens and that their government would be stuck with a mountain of false, incomplete and undependable statistics about the personal lives of some but not all of them.

The law on the census, passed by Parliament unanimously a year ago, calls for answers to questions on where, how and with whom each citizen lives, whom he works for, which god he believes in, whether he goes to work by car, public transport or on foot and whether his toilet is inside his apartment or outside.

If necessary, census takers were to help people fill out the computer forms. And the forms had to be made out by pencil because the computers do not like ball-point pens and because pencil entries can be erased and changed should someone make a mistake.

Cooperation is compulsory under the law. Offenders may be fined 1,000 Deutsche marks.

When the law on the census was passed hardly anybody paid attention. But in recent months the public outcry has grown strong. Boycott movements have sprung up, and leaflets have given instructions on how to make the forms indigestible for the computers by dripping water on them, crumpling them or rubbing carbon paper against them.

Newspapers have pointed out that because of sloppy phrasing of the law, boycotters could be fined only if they gave "inaccurate or false" information or handed it in too late, but not if they refused to answer altogether.

The protest became so widespread that conservative papers predicted that a massive refusal to cooperate would render the survey meaningless.

The protest has been led not by (Continued on Page 2, Col. 4)



FLOODING IN COLOGNE — The rain-swollen Rhine River overflowed its banks at Cologne for the first time in 13 years and severe floods affected areas in the Rhine and Moselle valleys in West Germany, France and Luxembourg. Page 2.

China and Albania Renewing Ties Beijing Reportedly Seeks to Restore Balkan Influence

By Michael Parks
Los Angeles Times Service

BEIJING — After five years of bitter quarreling, China and Albania are quietly renewing their economic relations, a breakthrough that China apparently hopes will help restore some of its once-substantial influence in the small, isolated Balkan country.

A Chinese economic delegation made an unannounced visit recently to Tirana, the Albanian capital, to negotiate the resumption of trade, according to Chinese and diplomatic sources here.

The sale of much-needed spare parts for Chinese-supplied machinery and military equipment was the first item of discussion, the sources said.

The Chinese representatives, specialists from the Ministry of Foreign Economic Relations and Trade, also were expected to discuss the completion of 23 large industrial development projects left unfinished in July 1978, when China canceled all assistance to Albania and suspended trade.

China had been angered by Albanian charges that it was "taking a capitalist road" with its pragmatic reforms and had "turned revisionist and imperialist," since the death of Chairman Mao in September 1976. Accusing Tirana of making it impossible for its engineers, technicians and military advisers to complete the projects, China withdrew them all on two weeks' notice.

The dispute has continued, but a mutually reserved Albanian diplomat here said that his country was willing to resume trade.

"Political differences are not obstacles to the revival of economic contacts, though Albania is socialist and China is capitalist," he told European colleagues.

China, however, has more in common with Albania than it has with the United States, he said.

A new Albanian leadership, depending on the attitude it takes toward the major powers and toward its neighbors, could affect the balance of power on the Balkan Peninsula and perhaps in Eastern Europe and the eastern Mediterranean, diplomats here speculate.

Resumption of Chinese-Albanian trade is likely to be sufficient to generate new rumors of a Chinese-inspired Balkan alliance of Albania, Romania and Yugoslavia, a frequent proposal by Beijing in the 1970s although it seemed to ignore Albanian-Yugoslav hostility.

The Chinese trade mission to Tirana was preceded by a number of signals from Beijing that China was interested in improving relations with Albania. Among them have been unusually cordial greetings from Chinese leaders to the Albanian prime minister and president on their election last November and again on National Day, and a marked change in Chinese press coverage of Albania.

When the breach became public in 1977, the scores and sheer shock Albania poured upon China far exceeded that of even the worst Chinese-Soviet bickering.

Deng Xiaoping, China's top leader for the last five years, was characterized by Mr. Hoxha as a "filthy fascist," and Mao was characterized as a "crazy and senile fool," a counterrevolutionary disguised as an anarchist and "totally treacherous."

When Beijing broke off economic relations in July 1978, it said in a formal diplomatic note that Chinese aid to Albania from 1954 had totaled more than \$5 billion, roughly three times the Western estimates up until then, and that more than 6,000 Chinese engineers, technicians and advisers had served in Albania and that more than 2,000 Albanians had been trained in China.

In Bonn, Power Creates Problems for Greens Some Leaders Now Question the Utility of Their Role in Parliament

By William Drowd
Washington Post Service

BONN — When West Germany's new parliament convened two weeks ago, the 27 deputies of the Green party, which espouses anti-nuclear and ecological causes, showed that they intended to abide by campaign promises to make democracy "a little more indiscreet."

As their more conventional peers arrived at the Bundestag in a cavalcade of limousines, the Greens marched to work in a primal procession, some of them pounding conga drums or dragging pine trees stained by acid rain through Bonn's staid streets.

But lately, the theatrics of the Greens have changed from light-hearted mockery into a harsh conflict over the uses of power and political influence.

Petra Kelly, one of the party's founders, recently said she was so "exasperated" by her colleagues that she threatened to resign from parliament.

"The parliamentary Greens faction is ruining me," she told a Munich newspaper. "Last week I was so fed up I almost gave up all this rubbish and resigned my seat."

Miss Kelly voiced doubts about the utility of their role in the Bundestag and said more attention should be paid to mobilizing street protests to stop the planned deployment of nuclear missiles in Western Europe.

Suffering from exhaustion, she later checked into a health clinic after complaining she did not even have access to a typist to answer the 200 to 300 letters she receives each day.

Her outburst against fellow Greens renewed grumbling among the rank-and-file that she had become obsessed by her own publicity. Her demand for a secretary was viewed as a sign of bourgeois arrogance by party rivals, who sneeringly refer to her as "Lady Di of the Greens."

She was forced to step down as chairman of the Greens last year after some members introduced a rule that imposed a limit of two years on all party posts.

The spontaneous, almost anarchic nature of some elements in the Greens defies coordination of policies and has created mammoth problems for their array of leaders, some of whom also share Miss Kelly's frustrations and have proposed to resign.

The absolutists "cut the motivation out of people's souls," their political manager, Lukas Beckmann, said.

Marie-Luise Beck-Oberdorf, one of their three parliamentary leaders, was attacked recently for her gesture of offering a fir branch to Chancellor Helmut Kohl after he was elected by the Bundestag.

The desire to maintain close channels between the party leadership and the grass-roots members induced the Greens to set up a committee to enhance such a dialogue. The party also agreed to rotate members of parliament to prevent any chance of becoming co-opted by the tactics and styles of the established parties.

Some leaders now call the committee the "politburo" and its members "commissars" for their overweening diligence in upholding party dogma.

"What they want are gray mice," a leader said wearily.

Increasingly, the political elite of the Greens is called upon to justify virtually all political activity to the "politburo," thus stifling party work with the kind of bureaucratic suffocation they vowed to avoid.

Criticism also has been mounting over the rotation principle, which the major parties claim is unconstitutional. Even if it is legal, alternating members of parliament could cost as much as \$1 million a year.

Mr. Beckmann now wants to revoke the rotation system "because in its present form it is neither politically nor humanly workable."

Besides their internal woes, the Greens have been buffeted by accusations that their party includes Communists and accepts funds from the Soviet bloc.

They also received a shock when one of their parliamentarians, Werner Vogel, 75, confessed to being a former Nazi storm trooper and gave up his seat in disgrace.

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U.S. Reportedly Seeks to Bolster Ties With Jordan After Talks Fail

By Herbert H. Denton

WASHINGTON Post Service
AMMAN, Jordan — U.S. officials are known to be concerned about preserving the U.S.-Jordanian relationship in the aftermath of the collapse of talks on President Ronald Reagan's Middle East peace initiative.

They are believed to be particularly anxious to protect King Hussein from being made a scapegoat in the failure of those efforts.

Those U.S. interests appear to explain, at least in part, the reason for the stark differences in assessments here and in Washington about the prospects for reviving the peace plan soon.

There appears to be a genuine desire to maintain the Reagan initiative as a framework for future efforts. Also, there are still faint hopes that Hussein's declaration Sunday terminating talks with the Palestine Liberation Organization on the Reagan plan might have shock value and cause moderate Arab states to support a new effort.

It is understood, however, that the point has been driven home to President Reagan that King Hussein himself intends now to "hunker down" and wait to see what Saudi Arabia, the PLO and the United States do.

There is said to be strong appreciation by the Jordanian administration for what they see as Hussein's "artful" performance in trying to get an agreement with Yasser Arafat, the PLO chairman, to enable the king to respond positively to Mr. Reagan's initiative.

The administration also is said to be understanding of Hussein's refusal to break ranks with other Arabs and enter talks alone once Mr. Arafat had declined to do so.

It is understood here that the upbeat statements now coming out of Washington about the efforts were carefully constructed, at least in part, to credit King Hussein with a strong effort and ascribe the failure to radical PLO factions bent on dooming the initiative.

Hussein is described here as being relieved at the initial reaction from Washington. Jordanians were reportedly concerned that if he did not deliver, the monarchy would be held responsible.

But the initial signals have brought a measure of relief, among them Secretary of State George P. Shultz's comments Monday and, before that, Mr. Reagan's two telephone calls to Hussein on Sunday, after Hussein had decided to make the statement.

It is said that there is concern here that Congress might still be less than understanding about why Hussein felt he could not enter negotiations alone with Israel, but some observers say that Jordan's position in Congress would certainly have been eroded if there had been no announcement.

Jordanians and Western diplomats have said that they think Mr. Arafat made a strong effort to get his organization to support the initiative, but questions are still being raised here whether he was simply deceiving Hussein about reaching tentative agreement in their intensive discussions.

The document that became the centerpiece of negotiations set forth principles that would have authorized Hussein to enter negotiations but it was not as detailed as previous accounts indicated, knowledgeable sources said in Amman Tuesday.

Jordanians reportedly counted heads when they thought there was hope for beginning negotiations and calculated that 17 of 21 Arab states would be supportive.

U.S. officials reportedly hope that the Saudis, whose role is still regarded as pivotal, might "corner" Mr. Arafat and coax him into going along. They hope that he might decide to abandon his consensus-style politics and risk a split within the PLO by agreeing to the peace plan.

Another possibility is that the Arab world might decide that the PLO is now irrelevant and withdraw its status as sole legitimate representative of the Palestinians.

The United States has refused to recognize the PLO until it recognizes Israel. The Reagan plan envisions a Palestinian entity linked to Jordan on the West Bank and Gaza while the Palestinians demand a fully independent state of their own.

Arafat Says PLO Is Ready For New Talks in Jordan

Compiled by Our Staff From Dispatches
STOCKHOLM — Yasser Arafat, leader of the Palestine Liberation Organization, said Wednesday that he was ready to resume talks with King Hussein of Jordan on President Ronald Reagan's Middle East peace plan and that "some adjustments" in the PLO's position had already been offered.

He said talks last week between the PLO and Jordan had broken down because of misunderstandings, but that the PLO had put forward "some adjustments which are under indirect discussion by some Arab leaders."

Mr. Arafat, after meeting with Social Democratic leaders here, said that the PLO leadership would hold a full meeting within the 24 hours on the interrupted talks, probably in Tunisia.

There was no immediate comment from Jordan.

He also said a PLO envoy was already in Amman, the Jordanian capital, and that another would travel there Thursday to meet with Jordanian officials. "We will do our best to continue these joint talks with the Jordanian authorities," Mr. Arafat said.

He made clear that he did not embrace President Reagan's peace plan, which does not provide for a Palestinian state, although he said he found "some positive elements in it."

In Rabat, Morocco, senior Palestinian sources told Reuters Wednesday night that Jordan has threatened to sever all relations with the PLO and PLO leaders were summoned for an emergency meeting in Tunis Thursday, senior Palestinian sources said Wednesday night.

They said that Hussein intended to announce the break in a speech earlier this week but he was dissuaded by moderate Arab lead-

ers. There was no immediate confirmation from Mr. Arafat.

In the negotiations, Jordan and the PLO have tried to work out conditions under which the Jordanian monarch would represent the Palestinians in peace talks with Israel.

King Hassan II of Morocco, meanwhile, postponed until early May the Arab summit conference he was to convene this weekend because of the impasse between Hussein and the PLO, the Moroccan News Agency reported.

The summit had been called by King Hassan two weeks ago to work out new Arab peace initiatives for the Middle East.

Hussein on Sunday called off his negotiations with Mr. Arafat, accused the PLO of breaking a tentative agreement to cooperate in negotiations based on a modified version of President Reagan's proposal, and said Jordan "will neither act separately nor in lieu of anybody else in Middle East peace negotiations."

The Reagan administration, however, has contended that the president's peace plan is still alive and said it would continue to work to bring Jordan into the negotiating process.

The U.S. view was shared by Foreign Minister Sach Salem of Lebanon, who said after a meeting with Hussein in Amman. "The Jordan-PLO talks did not collapse but have reached a crucial, difficult milestone in Middle East history."

"I believe we are now witnessing a stage of reassessing positions. It's a breathing spell. I hope Jordan and the PLO will soon emerge from their impasse. There are ways out that both parties can benefit from."

But Mr. Salem suggested that the revival of the Hussein-Arafat talks would take some time.

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The plaintiff, Guenther von Mierbach, second from right, and his lawyers were gleeful after the Constitutional Court in Karlsruhe postponed the West German census. With him: Gisela Wild, left; Maja Stadler-Ehler, right, and a man identified as Dr. Poppelbaum.

West German Census Postponed

(Continued from Page 1)
The usual young dissenters but by lawyers, leading newspapers, scientists and computer specialists who know what can be done with electronically diffused and stored information.

The core of their argument is that the survey is an unbearable invasion of privacy because it is meant not as a simple population count but as an administrative tool for federal and local authorities and even for commercial market researchers. One expert calculated that about 500 facts about each person would be put on record.

The authorities have also had trouble with the 600,000 representatives who were supposed to ask the questions. Leaders of the po-

licemen's union protested against plans in some parts of the country to use police officials as census takers. A policeman coming across an unregistered person would not know whether to arrest him or to simply collect his form, a union official said.

Civil servants in local tax administrations and social welfare offices have voiced similar fears of conflict between their permanent responsibilities and their temporary duty as census takers.

Plans in some localities to let volunteers act as census-takers in their neighborhood seem to have been dropped as a result of charges that the volunteers would be violating the privacy of their neighbors.

In response to the criticism, gov-

ernment spokesmen maintained that the count posed no danger to privacy and that law-abiding citizens had nothing to risk if they filled out the forms. The government argues that the survey is long overdue — West Germany's last census was in 1970 — and that its data is essential to planning by federal and local authorities.

Arguing its case, the government has pointed out that it had less up-to-date statistical information to go on in its social and economic policies than many countries of the Third World.

And after Tuesday's decision, the government said the delay would cost 100 million Deutsche marks (\$41.6 million) in wasted preparations.

Rhine, Moselle Valleys Flooded

Reuters
BONN — The cities of Bonn, Cologne and Koblenz were awash Wednesday as thousands of West German firemen, troops and volunteers fought flood waters from the Rhine River.

In northern France, 12 persons were reported to have died in four days of flooding, according to French radio. River levels were falling Wednesday after heavy rain abated.

In West Germany, the Rhine, swollen by several days of rain, reached its highest level since 1970, flooding the center of Cologne and several low-lying areas of Bonn.

Officials said the river was expected to reach its highest level Wednesday night and then start to recede.

Several embassies, including the Turkish and Yugoslav missions, were under water in the diplomatic

suburb of Bad Godesberg, and makeshift floodgates were set up around the U.S. Embassy complex.

The streets between Cologne's Gothic cathedral and the Rhine were under three feet (one meter) of water and many residents took refuge on upper floors of their homes.

Emergency teams battled all night to stem the floods, but pumping was suspended in some parts of Cologne on Tuesday because of fears that historic buildings might collapse, officials said.

The floods caused widespread disruption of public transportation and road traffic throughout the area.

Barge traffic on the Rhine, Western Europe's busiest inland waterway, has been suspended until next week at the earliest.

Flooding was also severe in Kob-

lenz, and stranded campers were rescued by boat from riverside sites near the town of Andernach. Some recreational vehicles were swept away.

Agriculture Ministry officials in Bonn said the floods would delay planting of sugar beet, a major crop, but should not harm the vineyards in the Rhine and Moselle valleys.

The level of the Moselle River began to recede Wednesday, bringing relief to Luxembourg, which has suffered its worst flooding since 1947, and to the West German city of Trier, near Luxembourg, which declared a state of emergency Tuesday.

Panel Rejects Salvador Aid

(Continued from Page 1)
vert operations are about as covert as this mix-up session," as well as "illegal, inept and unnecessary."

But Mr. Hyde countered, "If America stands for one thing, it ought to be freedom. ... It ought to provide a glimmer of hope to people in prisons in Cuba and Poland, to the Vietnamese boat people, to the people fighting with sticks and stones in Afghanistan."

In his testimony before the Senate panel, Mr. Enders sharply criticized the Sandinist government for what he said was its failure to pursue negotiating proposals made by the United States and other Central American nations.

Mr. Enders also provided the committee with more information about arms shipments that the administration asserts the Soviet Union and Cuba have sent through Nicaragua to guerrillas in El Salvador. In 1982, he said, such supplies included increased quantities of Soviet-manufactured heavy weapons, including M-60 machine guns, M-79 grenade launchers and M-72 antitank weapons.

Salvador Freed 28 From Prison, Rights Panel Says

New York Times Service
SAN SALVADOR — El Salvador has released 28 political prisoners since the end of March and six more are to be released this week, according to Benjamin Castan, the secretary of the country's Human Rights Commission.

The action represents the largest release of political prisoners in the last three years and followed strong warnings by the United States that if the Salvadoran government does not improve its human rights record, it will lose all support in Congress.

In hearings last month on proposed aid to El Salvador, Secretary of State George P. Shultz called the country's judicial system "indefensible."

"If they don't clean up this act," Mr. Shultz said, "the support is going to dry up, and they've been told that and they know that and that will happen."

The release comes at a time when a five-member delegation from the United States is visiting El Salvador to assess its criminal justice system. A delegation from the Human Rights Commission is to visit Washington next week.

3 More Lippizans Die

The Associated Press
VIENNA — Rhinopneumonitis has killed three more of Austria's prized Lippizaner horses, bringing the death toll to 39, a veterinarian said Wednesday.

WORLD BRIEFS

Habib Returns to Talks in Beirut

BEIRUT (UPI) — Philip C. Habib, special U.S. envoy to the Middle East, met Wednesday with Lebanese and Israeli negotiators in the 29th session of talks on the withdrawal of troops from Lebanon.

Mr. Habib arrived in Beirut earlier Wednesday after a 90-minute meeting in Jerusalem with Prime Minister Menachem Begin and Foreign Minister Yitzhak Shamir. "I am optimistic," he said as he joined the other negotiators at the coastal town of Khalde, south of Beirut.

Foreign Minister Elie Salem of Lebanon, returning from Jordan after talks with King Hussein, stressed Wednesday that a settlement of the issue was important to Washington's role in the Middle East. "If President Ronald Reagan's efforts are to succeed in the Middle East, they have to first succeed in Lebanon," he said.

28 Are Sentenced by Italian Court

TRENTO, Italy (AP) — A local court Wednesday sentenced 28 people to prison terms of four to 18 years each for involvement in a gun-running and drug-trafficking ring operating between Western Europe, Bulgaria and the Middle East.

The court handed down a sentence of 18 years to Henry Arsan, a Syrian citizen described as ringleader of the gang, and four other defendants. The four were Ivan Galic, a Yugoslavian, and Angelo Marri, Giorgio Molon and Herbert Oberhafer, all Italians. One defendant was cleared.

Ambush of Thai Patrol Reported

BANGKOK (UPI) — Vietnamese troops ambushed a Thai patrol Wednesday, seriously wounding one soldier in the latest in a series of border clashes, military sources said. The clash occurred in Trat province, about 210 miles southeast of Bangkok, after Vietnamese troops surprised a border patrol just inside Thailand, military sources said.

Vietnamese forces have crossed into Thailand more than 10 times in two weeks during a major offensive against Cambodian rebels living in refugee camps along the Thai border, the sources said.

"If any Thai soldiers have been captured and killed it is because they had engaged too deeply in backing the Khmer reactionaries," or Cambodian guerrillas, said a Vietnamese press agency report monitored in Bangkok.

Soviet Seeks Talks on Atomic Tests

WASHINGTON (UPI) — The Soviet Union has offered to continue to observe treaties limiting underground nuclear tests if the United States does so and has called for a resumption of talks on a ban of all nuclear testing.

Apparently anticipating U.S. accusations that the Soviet Union has violated arms control agreements, the Soviet Embassy on Tuesday telephoned news agencies with a statement denying any violations. It specifically mentioned a 1974 ban on certain underground tests and a 1976 treaty on underground tests for peaceful purposes.

"The Soviet Union reaffirms that it also has no intention of undertaking actions inconsistent with the provisions of the 1974 treaty with the understanding that the United States on its part will act likewise," the statement said. It said the Soviet Union was ready to resume negotiations on a treaty with the United States and Britain to ban nuclear testing.

Rabbi Assails PLO 'Provocation'

WASHINGTON (LAT) — A report that the Palestine Liberation Organization's chief representative in Poland would be allowed to lay a wreath at a commemoration of the 1943 Warsaw ghetto uprising was denounced Tuesday by the leader of a U.S. delegation to the ceremonies as an untrue "provocation" by the PLO.

Rabbi Alexander M. Schindler, president of the Union of American Hebrew Congregations, said through an aide that two members of the Polish committee that organized next week's observances had told him by telephone that the report was untrue. They also agreed, he said, that no PLO representative would be permitted to lay wreaths Tuesday in the ghetto.

In a report from Warsaw on Monday, the Los Angeles Times quoted Foad Haseen, the PLO's chief representative in Poland, as saying he had notified the organizers of his plan to honor the Jews who died in the uprising and that the organizers had agreed.

Reagan Seeks Freeze Amendment

WASHINGTON (UPI) — President Ronald Reagan urged the House Wednesday to adopt an amendment to the nuclear freeze resolution that would freeze nuclear forces at equal levels for the Soviet Union and the United States.

"The American people are looking to the Congress to demonstrate the spirit of bipartisan resolve essential to our security and to the preservation of peace in the world," Mr. Reagan said in a letter to Representative William S. Broomfield, Republican of Michigan, who read the letter on the House floor after debate resumed on the resolution opposed by the administration.

The equal-levels amendment, which freeze advocates say would cripple their resolution, was endorsed by the administration last year when the House defeated the freeze measure by a two-vote margin. The administration maintains a freeze at current levels would leave the United States at a disadvantage.

Senate Panel Increases Job Funds

WASHINGTON (AP) — The Senate Budget Committee Wednesday rejected President Ronald Reagan's proposals for deep cuts in U.S. spending for education and job retraining programs.

Instead, the committee voted 12-8 to increase money for a broad range of education programs by about 2 percent. These include loans for college students, vocational education, improved teaching of mathematics and science and assistance to high schools and colleges.

Taken together, the committee has added \$7.6 billion over the president's 1984 budget request in nonmilitary categories and cast aside his proposal for a freeze on most domestic spending programs. There was general agreement among Republicans and Democrats on the committee that it would be unwise in the midst of a recession to make deep cuts in programs designed to train the unemployed.

10 Die in Mafia Attacks in Sicily

PALERMO, Sicily (UPI) — A spate of Mafia killings in the Palermo and Catania regions took 10 lives and left five persons wounded Tuesday and Wednesday, the police reported.

Among the dead were Antonino Sorci, 78, and his son Carlo, 32, whose police believe to be major links in the multimillion-dollar traffic in heroin and other drugs between Sicily and the United States.

The major attack was on seven members of the Romagnolo family, who were gathered in their wholesale shoe store in Palermo late Wednesday. Gunmen shot and killed three of the Romagnolo men and wounded four other members of the family.

Greenland Party Loses Majority

COPENHAGEN (Reuters) — Greenland's ruling Stiumut (Forward Party) has lost its parliamentary majority in this week's elections, according to computer results.

With about 80 percent of Tuesday's vote counted, the moderate leftist Stiumut and the rightist Atassut (Unity Party) were each set to win 12 seats in the assembly, newly enlarged from 21 to 26 seats.

The leftist Inuit Ataqatigiit (Eskimo Movement) was likely to enter the assembly for the first time, with two seats. The poll was Greenland's second since it was given home rule in 1979 under the Danish crown.

'Leftists' in China Army Assailed

BEIJING (LAT) — A senior Chinese general, acknowledging that radicals in the armed forces have opposed the principal reforms of Deng Xiaoping, the country's top leader, called Wednesday for renewed efforts to eliminate "leftism" from the military.

Li Desheng, commander of forces in Manchuria and a member of the Communist Party's ruling Politburo, said that leftist resistance to Deng's policies remains strong, bringing the army repeatedly into conflict with the party and constituting one of the country's most difficult political problems. Mr. Deng has backed a thorough reshaping of the army, which began recently.

For the Record

ATHENS (Reuters) — President Constantine Caramanlis has accepted an invitation from President Spyros Kyprianou to visit Cyprus this fall, official sources said Wednesday.

THE HAGUE (Reuters) — Prime Ministers Amintore Fanfani of Italy and Ruud Lubbers of the Netherlands met Wednesday on the first day of Mr. Fanfani's three-day visit.

MOSCOW (Reuters) — Kia Tabatabaee, Iran's new ambassador to Moscow, arrived Tuesday, the government newspaper Izvestia reported Wednesday. The Iranian Embassy has been run by lower-level diplomats since the previous ambassador left in late 1981 because of ill health.

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Arafat Names Israeli As PLO's Delegate to World Socialist Group

By E.J. Dionne

New York Times Service

PARIS — Yasser Arafat has appointed a Jewish Israeli to replace Dr. Issam Sartawi as the Palestine Liberation Organization's representative to the Socialist International, according to the PLO's office in Paris.

Mr. Arafat appointed Ian Halevi, a journalist who also holds French citizenship, at the closing session of the conference in Lisbon, the PLO office said. Dr. Sartawi was assassinated Sunday, just before the organization's final session.

Mr. Halevi said in an interview on French television that he understood that a majority of Israelis would consider his posture an act of "treason."

"Israel and the PLO are in a state of war," he said, "and technically I am liable to the accusation of high treason and an attack on the security of the state."

Mr. Halevi said he had worked with the PLO for five or six years. There was no immediate confirmation of his appointment from the Middle East.

Dr. Sartawi, a heart surgeon, was a Palestinian who had arranged meetings between the PLO leader and activists in the Israeli peace movement. A Palestinian group led by Abu Nidal, strongly hostile to any accord with Israel, claimed responsibility for the assassination.

The PLO's Paris office issued a statement Monday saying that the

appointment showed the importance the organization attached to the dialogue with the Socialist International, a grouping of Socialist parties from around the world.

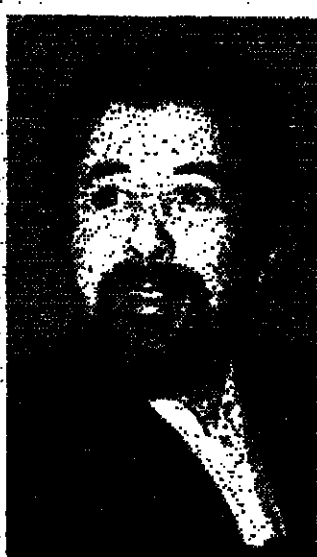
The PLO appointed Mr. Halevi in order not to permit forces hostile to that dialogue to exploit the disappearance of Mr. Sartawi," it said.

Marek Halter, a pro-Israel peace activist who arranged conversations between Palestinians and Israelis, said Tuesday that he believed Mr. Halevi's appointment could be a victory "for the hard-liners in the PLO" and could hinder further contacts.

"Israelis who want to have dialogue want to do so with Palestinian Arabs," Mr. Halter said in a phone interview from his home in Paris. "They don't want to dialogue with an Israeli Jewish leftist. I think it will be very bad for dialogue between Israel and the Arabs."

Mr. Halevi acknowledged the difficulties during his television interview and said he did not expect to take over all of Dr. Sartawi's functions.

"I am not at all ready to continue Dr. Sartawi's work in the dialogue with Israeli political forces, and I do not think the Palestinian leaders want to ask me to do so," he said. "It is very obvious that being Israeli myself, I would be badly placed to serve as a Palestinian intermediary with political forces in Israel."



Ian Halevi

Mr. Halevi was born in France in 1943 of Jewish parents; his father was Yemantic and his mother was from Istanbul. According to Liberation, the leftist Paris daily, and other accounts, Mr. Halevi spent time in the United States in the mid-1960s, where he was associated with the Black Panthers. Shortly thereafter, he moved to Israel.

He was active in Matzpen, a leftist, anti-Zionist grouping that included Trotskyists and dissident Communists. He became a correspondent for Liberation in 1974 and moved to Paris about two years later.

According to Mr. Halter, who debated Mr. Halevi on Belgian television earlier this year, Mr. Halevi's views within the PLO are relatively "moderate" and he appeared to favor a "two-state solution" involving separate Palestinian and Israeli states.

Ethnic Tensions Strengthen Begin's Power Base

The last of three articles on divisions between Israel's two Jewish cultures

By David K. Shipler

New York Times Service

JERUSALEM — The ethnic tensions and socioeconomic divisions among Israel's Jews are exerting a decisive influence on the country's politics, considerably strengthening the power base of Prime Minister Menachem Begin.

Sephardic Jews, those mostly from the Islamic countries of North Africa and the Middle East, have been voting overwhelmingly for Mr. Begin and his coalition partners since 1977, when he first defeated the Labor Party and broke its 29-year rule.

Opinion polls show that his appeal continues to grow among Sephardim, who account for a majority of Israel's Jewish population.

In the 1981 elections, 57 percent of the Sephardic voters cast ballots for Mr. Begin's Likud bloc, and 18 percent for other parties in his coalition, according to surveys by Hanech Smith, a Jerusalem pollster. By contrast, the Likud won only 25 percent of the votes of the Ashkenazim, Jews of European and American lineage.

Since Mr. Begin, who was born in Poland, is an Ashkenazi himself, his Sephardic support is viewed as a product of complex factors reaching far beneath the surface of political attitudes. They tap a wellspring of tensions and beliefs that may govern Israeli political life for many years to come, beyond Mr. Begin's career.

Analyses by political scientists, Israeli journalists, pollsters and Sephardic intellectuals cover several aspects of the Sephardic support for Mr. Begin: the anti-establishment impulses of an alienated and impoverished group; the anti-Arab reflexes of those who suffered as Jews in Arab countries; the political opportunity for Sephardim in the Likud bloc; the hard-line positions of a less-educated population; and affinity for a leader who emphasizes his Jewishness rather than his stewardship of a bold social experiment.

Many Sephardic intellectuals reject the notion of Sephardim as inherently anti-Arab, arguing that Mr. Begin's attraction lies less in his tough policies toward the Arabs than in his avowed Jewishness, his self-assumed role as a leader not just of the Israeli state, but of the Jewish people.

He has always stood well outside the Labor Zionist movement, which sought to build a new, socialist society as a contrast with the archaic society of the *shtetls*, or Jewish village communities in Eastern Europe.

Labor Zionism's symbol has been the kibbutz, the communal enclave of mostly Ashkenazic farmers, and it is a symbol widely

despised by Sephardim as snobbish, well-to-do and fundamentally opposed to the traditions that brought them to the Promised Land.

"In Arab countries, the one who works the land is the lowest in the hierarchy, the *falak*," said Ami Gushka, an army colonel whose family came from Yemen. "The whole ideology of the Labor movement and the concept of Zionism was to bring the people back to the land and to make the people work the land."

By contrast, he explained, Sephardim came generally out of religious motives, as "a fulfillment of the prophecy."

Their expectation was that they were coming to the land of milk and honey, and the Messiah would solve all their problems," he said. "So it was a shattering of their dreams."

Erez Biton, a poet of Moroccan lineage, sees this basic ideological difference in a political context.

"The people of Europe wanted to build a new kind of life here," he said, "so they wanted to forget the Jewish way of life, which for them was anachronistic."

"With kibbutzim and in other ways, they tried to build a new kind of life with Western values. Sephardim are generally involved with the Jewish tradition more than Ashkenazim, and they think Begin and the Likud are more in connection with the Jewish tradition. They feel that the Labor Party left the Jewish tradition."

Significantly, Mr. Begin's emphatic Jewishness appears to have made many Sephardim feel part of the society in ways they never did under Labor. This translates into a new sense of freedom and participation.

"People who support this government think it is wonderfully democratic that Begin opened the country to them," Mr. Smith said. "Israel is now hearing their side, the second side."

In addition, Mr. Begin's Herut Party has done better than Labor in bringing Sephardic politicians into its Central Committee, making the party into an avenue for Sephardim to move up in politics.

Mr. Smith's surveys have found heavy support among Sephardim for the war in Lebanon, the government's tough policies toward the

Arabs, its determination to hold the occupied West Bank and its continued construction of Jewish settlements there.

Nevertheless, the stereotype of Sephardim as pro-Begin because they are anti-Arab has been challenged by many Sephardic thinkers, who note the anti-Arab tendencies of Israel's Jewish society as a whole.

They point to the aggressive American-born and other Ashkenazic settlers who harass Arabs on the West Bank, and to the senior Sephardi in the government, Housing Minister David Levy, who emerged as the only cabinet member to warn against sending the Lebanese Christian Phalangists into the Beirut refugee camps last September before they massacred hundreds of Palestinians.

The conventional wisdom of many Ashkenazim, that Sephardic Jews hate Arabs because Arabs persecuted them, appears simplistic. Sephardim had mixed experiences in the Arab countries where many of them lived. Those from Morocco often speak nostalgically of their cordial relations with the Arab majority, though in fact anti-Jewish riots broke out after Israel was created in 1948, prompting large-scale emigration.

In some countries, such as Yemen, Jews were obliged to climb down from their donkeys if they passed a Moslem. The property of Jews was confiscated, bank accounts were seized and synagogues were burned.

But Professor Maurice M. Roumani, who was born in Libya and now heads a Sephardic studies department at Ben-Gurion University in Beer Sheva, contends that Jews suffered less under Moslem rule than in Christian countries.

He and others believe that as Sephardim have begun to embrace their own traditions an affinity for Islamic culture has been nourished. Meir Shitreet, a Moroccan-born mayor and member of Parliament in Mr. Begin's Herut Party, contends that because Sephardim understand Arab culture they should be put in charge of negotiating with the Arabs.

Last autumn, the Israeli writer Amos Oz went from his kibbutz and sat in a cafe in the mostly Sephardic town of Be'er Sheva and found himself, as a symbol of the Labor Party, the target of a tongue-lashing by a group of men drinking beer.

In reporting their comments on issues ranging from the status of the occupied territories to the power of the Histadrut, Israel's Federation of Labor Unions, he wrote in the newspaper Davar:

"If they return the territories, the Arabs will no longer turn up for work, and right away you'll make us once more the unskilled workers we used to be. Even only because

of that, we won't let you return the territories."

"Look at my daughter. Today she works at a bank, and every evening an Arab comes to clean the branch office. All you want is to see her thrown out of the bank and working on some textile machine, or that she'll once more clean up the place instead of the Arab, just like my mother cleaned up after you. For that they hate you here. As long as Begin is in power,

my daughter is safe at the bank. If you return, you'll put her down right away. Even now people keep shouting, 'Let Begin rule!' because even now he does not really rule. You rule the Histadrut, you rule the newspapers and you have the big money, the radio and the television. To this day, you rule Israel."

"But what happened? We put Begin on top of you. Now you put that in your pipe and smoke it. For a long, long time."

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Iran-Iraq Naval Battles Reported; Tehran Says Oil Well Was Bombed

United Press International

KUWAIT — Iran and Iraq reported renewed naval battles Wednesday in the Gulf and officials said the feuding could block an accord among Gulf nations trying to control the huge oil slick threatening the region.

Iran's state-run news agency, IRNA, said Iraqi warships struck an Iranian oil well late Tuesday, "but it is not yet clear whether another oil slick has developed in this missile attack by the Iraqi aggressor."

The oil has been estimated by Kuwait to be pouring into the Gulf at up to 10,000 barrels a day, covering 8,000 to 12,000 square miles (about 20,700 to 31,000 square kilometers). Aerial photographs

showed it stretching the entire length of the shallow Gulf.

IRNA also noted that "the attack took place while the Kuwait convention's second session is about to convene... to seek ways for stopping the oil slick in the Persian Gulf due to the Iraqi bombing of the Iranian Nowruz oil well, hit by Iraqi forces on March 1."

A military communiqué carried by the state-run Iraqi News Agency said Iraqi forces had hit and sunk two Iranian "naval targets." The statement did not mention the well cited by Iran.

The reports came as ministers from eight Gulf nations met informally in Kuwait to forge an accord on controlling the slick that is threatening marine life and desalination plants.

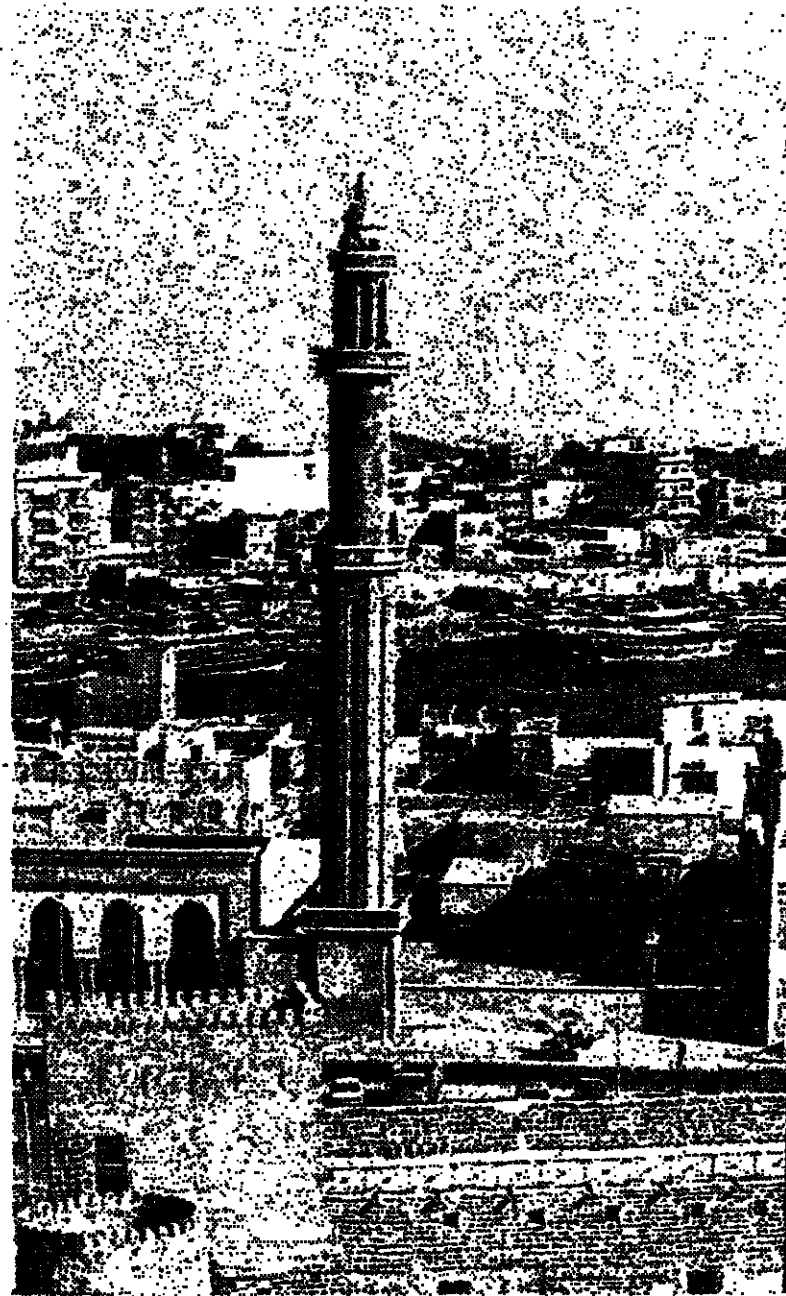
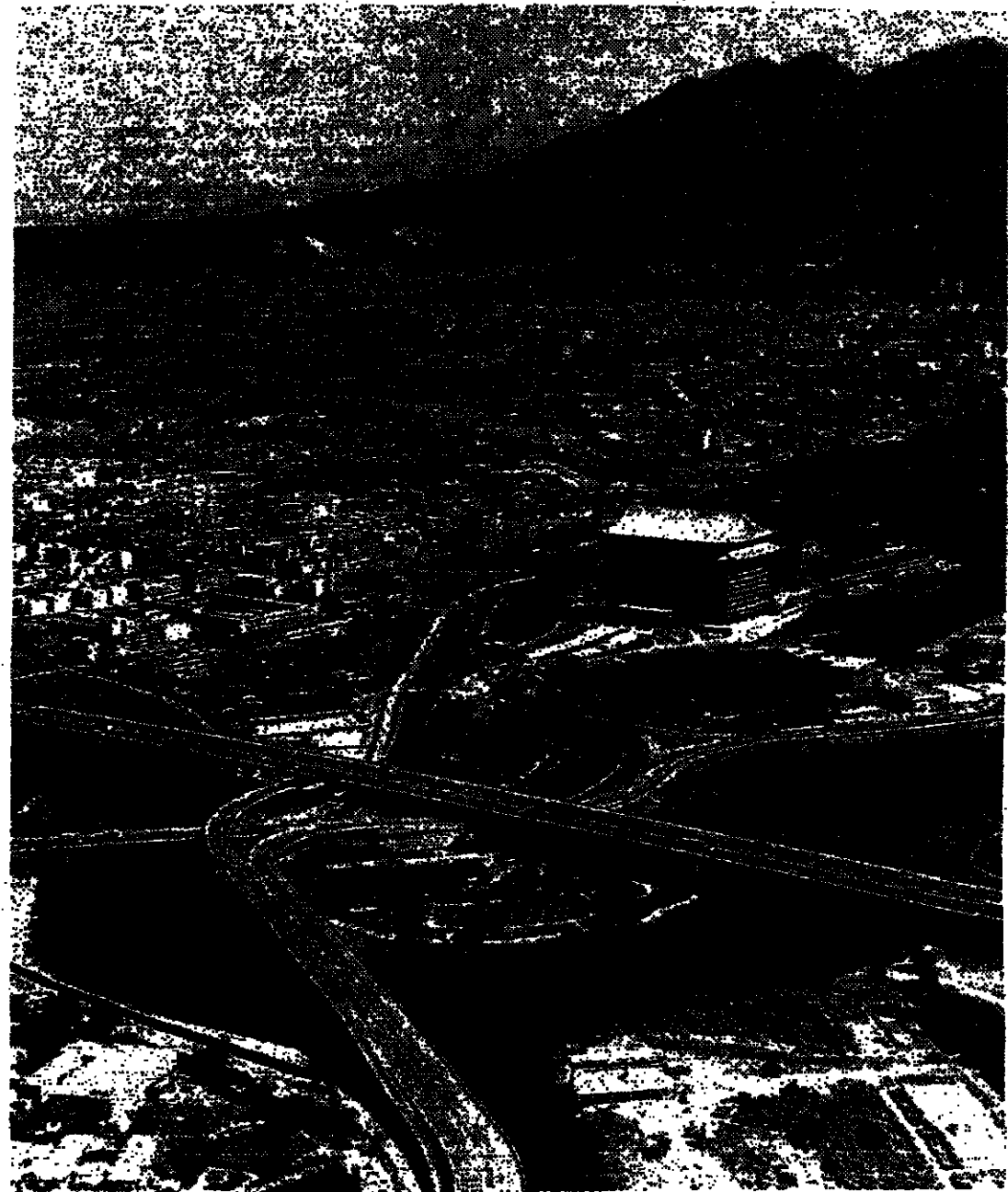
Iran's representative at the conference, Ambassador Ali Shams Ardakani, said joint action was possible only if Iraq promised to stop acts of war in the region.

Foreign Minister Tariq Aziz of Iraq blamed the disaster on Iran, saying Tuesday that the leak started Jan. 27 after a ship hit a well in the Nowruz oil field.

A Gulf official said that differences between Iran and Iraq could prevent formal, direct talks at the conference of the Regional Organization for the Protection of Marine Environment.

The official, asking not to be identified, said the informal talks could well end with a statement saying the region's countries should deal individually with the slick.

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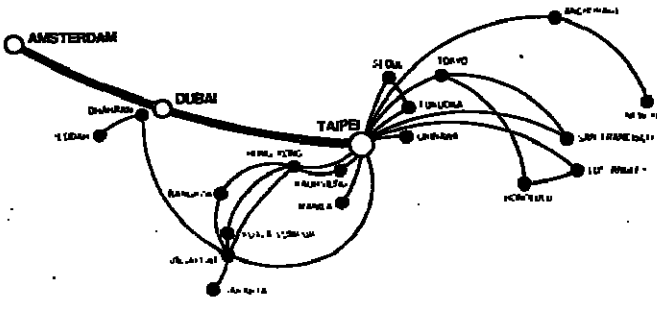
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Critics Assail MX Study, but Say Debate Clarified

By Steven V. Roberts

New York Times Service
WASHINGTON — The recommendation by a presidential commission to base 100 MX missiles in existing missile silos has triggered criticism from a wide range of arms control advocates and congressional opponents of the weapon.

The heart of the critics' argument was that the missiles would not be invulnerable to Soviet attack, and thus were not worth the

billions of dollars they would cost to build. In fact, the critics maintained, the weapons would increase the danger of war by inviting Soviet attack, while draining funds away from other military needs at a time of tight budgets and high deficits.

"This is the time to kill the MX," asserted Representative Les AuCoin, an Oregon Democrat who sits on the defense subcommittee of the Appropriations Committee. "Kill it clean, kill it now."

But as Mr. AuCoin noted, the debate over the MX is now shifting to ground that makes matters harder for the opponents. For the last two years, the issue has been whether to deploy the missile in one of several basing modes. Since each proposal contained obvious flaws, lawmakers were willing to vote for continued delay.

Now that the presidential commission has recommended using existing silos, lawmakers say that the question is being posed in more

direct terms: whether to kill the missile outright or decide to move ahead.

"It's very easy to vote no on an absurd basing mode," said Senator Paul E. Tsongas, a Massachusetts Democrat. "It's more difficult to vote no on a whole system."

Critics of the MX also concede that the advisory report, drafted by a commission headed by Brent Scowcroft, a retired air force general, scored a tactical victory for the supporters. The key move, these

critics acknowledged, was advancing the MX as an interim weapon only, while calling for further research into a smaller and more mobile weapon that could eventually replace the larger missile.

The MX issue will probably reach Capitol Hill in several forms. Under legislation passed last December, the administration cannot spend \$560 million for engineering development of the basing system until Congress specifically approves a basing plan. The lawmakers must act within 45 days after the administration submits such a plan.

Once the administration does endorse the basing plan, probably next week, the 45-day period will begin to run.

In an action separate from the funding of engineering costs, the administration is expected to ask Congress to appropriate funds for the purchase of actual MX missiles.

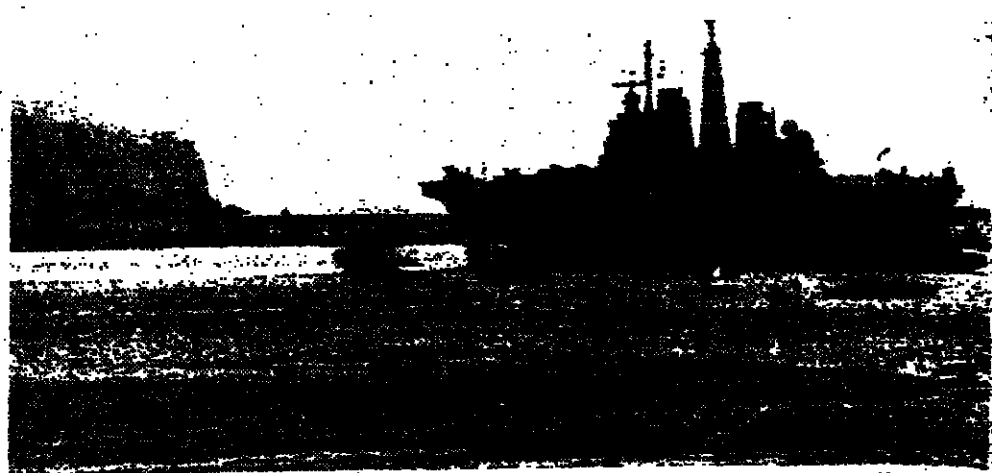
Outside of Congress, opponents of the MX concentrated on the argument that the missiles were not needed, because the United States already possessed enough weapons. Moreover, they maintained, the original rationale for the MX, the need to build a missile that could withstand Soviet attack, was no longer valid.

Paul C. Warnke, chief American arms negotiator under President Jimmy Carter, said of the MX, "there is literally no justification for it."

And Herbert Scoville Jr., a former deputy director for research of the Central Intelligence Agency, said the missiles were "the most dangerous weapons designed to date. They make nuclear holocaust much more likely."

Cosmos-1452 Launched

The Associated Press
MOSCOW — The Soviet Union has launched Cosmos-1452, Tass reported Wednesday.



The British aircraft carrier Invincible heads into Gibraltar harbor Wednesday.

British Fleet Anchors at Gibraltar; Madrid Strongly Condemns Visit

Reuters

GIBRALTAR — A fleet of British warships, shadowed by the Spanish Navy, anchored off Gibraltar on Wednesday, setting off a storm of protest from Madrid.

Spain denounced the visit as a flagrant violation of its territorial waters and said it would take steps to guarantee its rights.

Two Spanish frigates and a destroyer could be seen in the Bay of Algeciras watching the 12 British ships, which were led by the aircraft carrier Invincible.

Britain said the five-day visit was routine and followed annual exercises in the Atlantic. The British Embassy informed the Spanish authorities in advance, a spokesman said.

However, Madrid said the visit was inopportune in view of the delicate stage of negotiations over the future of the colony, which Britain captured from Spain in 1704.

"We have renounced, with the backing of Spanish public opinion, all violent action, but we will take steps to guarantee our national waters," Foreign Minister Fernando Morán said. Britain's ambassador to Spain, Sir Richard Parsons, was twice called to the Foreign Ministry in Madrid to hear protests.

Spanish officials, who last protested about a similar visit by 24 British ships in 1973, said it smacked of British imperialism after the Falklands war last year.

The carrier Invincible led the force that recaptured the islands

from Argentina. Spanish commentators have noted that Prince Andrew, a helicopter pilot and second son of Queen Elizabeth II, is on board.

The Spanish press denounced the visit, accusing Prime Minister Margaret Thatcher of electioneering.

Meanwhile, Spain's new prime minister, Felipe González, said in his first speech to parliament that putting Gibraltar back under Spanish rule would be one of his first priorities.

As a conciliatory gesture, he recently partially reopened the frontier connecting the colony to the Spanish mainland. Franco had shut the gates in 1969 after Gibraltarians voted overwhelmingly in a referendum to remain British.

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Lagos, Tokyo Most Expensive In World Survey of 86 Cities

United Press International

GENEVA — Lagos and Tokyo were the most expensive cities and Mexico City the least expensive in a 1983 survey of 86 cities, an international research organization said Wednesday.

Business International, based in New York, reported that Mexico City received only 41 points on its rating scale, compared with 144 scored by Lagos and 130 by Tokyo, which had similar ratings last year.

Third, fourth, fifth and sixth most expensive were found to be Cairo, 115 points; Caracas, 113; Jakarta, 112, and Riyadh, 110.

Three U.S. cities turned up among the 20 most expensive of the 86 surveyed this year, compared with none in 1982. New York, with 100 points, shared 18th place with Melbourne and Dakar; San Francisco had 102 points and came in at 16th with Geneva.

The 20 most expensive cities, according to the survey, were: Lagos; Tokyo; Cairo; Caracas; Jakarta; Riyadh; Abidjan, Ivory Coast; Singapore; Oslo; Taipei; Abu Dhabi; Amman, Jordan; Donala, Cameroon; San Francisco; Zurich; Geneva; Chicago; Dakar, Senegal; Melbourne, and New York.

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Bangladeshi Continue Easy Flow Into India

Frontier Is 'Impossible to Patrol' In Some Sections, Official Asserts

By Sanjoy Hazarika
New York Times Service

DALU, India — The low, weathered concrete pillars marking the boundary between India and Bangladesh are difficult to spot from the bumpy dirt road that runs along the frontier.

There are no border patrols in sight, no fences, no walls. After a one-minute walk through harvested rice fields, where farmers rest in the shade of bamboo thickets while watching their cattle, a visitor is in Bangladesh.

It is that simple to cross the 300-mile (480-kilometer) frontier in parts of the northeastern states of Meghalaya and Assam. Local officials and Assamese activists say hundreds of thousands of immigrants have crossed illegally into India here.

The issue was at the center of the agitation during state elections in Assam in February, when more than 3,000 people died in ethnic and religious rioting. Violent inci-

dents and bomb explosions continue to be reported from the state.

The violence occurred after a student-led protest movement, demanding the expulsion of illegal aliens, tried to block or disrupt the elections. Fighting erupted between the Assamese nationalists and tribal groups, who are primarily Hindu, and Bengali-speaking Moslems, some but not all of them from Bangladesh.

"It's impossible to patrol the border at some places," an Indian border-security official said. The problems, he said, resulted from a British civil servant's hasty demarcation of the frontier in the 1947 partition of the subcontinent into predominantly Hindu India and Moslem Pakistan.

In the absence of any visible boundaries, the location of the frontier is often left to the imagination. The short pillars are frequently obscured by shrubs, hillocks, thick jungle, streams and rice fields. They zigzag in bewildering fashion across the countryside, and many patches of Indian or Bangladeshi territory are surrounded on three sides by land of the other nation.

Border officials said many residents of the frontier areas were poor farmers who often slipped across the border to visit relatives or cut bamboo for fuel and construction work or even illegally harvested crops on the other side and carried the produce home.

Incidents are frequent. An Indian official reported that at least 24 Bangladeshis had been killed in the last six months while trying to cross illegally into the West Garo hill district in Meghalaya.

An Indian official estimated that 30,000 illegal migrants had moved into this border district, which has a total population of about 400,000, since 1971.

Bangladeshi nationals are difficult to identify, the official said. "Often they slip into the home of a relative or a friend who has lived here for years," he said, "and begin by working in their fields."

After some years, he added, they would travel by boat or bus farther into Assam and settle along the Brahmaputra River, where earlier immigrants live in thickly populated, tightly organized squatter colonies.

"If you suspect someone and ask him when he came," the official said, "he'll say that he was born in India, had come here some years ago from another part of Assam and produce a score of witnesses to support him."

The anti-immigration protesters fear that the Assamese, who are predominantly Hindu and have their own language, will be swamped by Moslem immigrants and other Moslem, Bengali-speaking people.

The root of discontent on the frontiers is clearly the apprehension of cultural annihilation," said Nari Kustomji, who has held several top administrative posts in northeastern India.

The situation is reported to be still tense in parts of the state, and intelligence sources said it would take at least three or four months for the region to return to normal.



HONORING THE DEAD — Some of the relatives of British servicemen killed in the Falklands war visited the memorial to the Welsh Guards at Fitzroy. The relatives were brought by helicopters to the remote area from Port Stanley. All 541 of the relatives who made the four-day visit to the islands left for home on Wednesday.

Rival Afghan Resistance Groups Reported to Join in Big Ambush

By William Claiborne

Washington Post Service

NEW DELHI — In a significant departure from their usual divisiveness and unrelenting, three rival Afghan resistance organizations cooperated in the ambush of a large Soviet and Afghan military convoy and seized a quantity of arms and ammunition, according to Western diplomatic reports from Kabul.

The attack on April 1, one of several rebel offensives in the Shomali district between Kabul and the Hindu Kush mountain range recently, was coordinated several days in advance on the basis of intelligence reports that the military convoy would pass through the Panjshir valley between the towns of Najrab and Tagab, the diplomatic sources said Tuesday.

The three groups of the frequently factional Mujahidin resistance which participated in the ambush, according to diplomatic reports from Kabul, were the Hezb-i-Islami, the Jamiat-i-Islami and the Harakat-i Inqilab-i guerrilla units.

The ideologically diverse and frequently competitive rebel groups have been known to be divided in the past. The reports from Kabul said that none of the forces led by Ahmed Shah Masoud, rebel commander of the Panjshir valley, was involved in the attack.

According to the Kabul reports, the combined rebel force split the military convoy in half and surrounded the trailing column of armored Soviet and Afghan vehicles, killing and capturing a large number of troops. After the battle, which lasted into the night, the rebels eluded Soviet air strikes and escaped into the hills, the reports said.

Two days later, according to the diplomatic reports, rebel forces attacked a Soviet force outside of Opian, near the Farwan provincial capital of Charikar, and destroyed

at least five armored vehicles. Intense fighting was also reported in the town of Ghazni, between Kabul and Kandahar, and in Maidan Shahr, just south of the Afghan capital.

According to diplomatic reports from Kabul, the Afghan rebel leader, Sayed Mohammed Hassan Jaglan, principal commander of the moderate Hazarajat provincial revolutionary council, who last year

Romania Restricts Typewriter Use In Move Seen to Target Dissidents

The Associated Press

BUCHAREST — A Romanian government decree published Wednesday prohibits the possession or use of typewriters by citizens who have a criminal record or who pose "a danger to public order or state security."

The decree, signed last month by President Nicolae Ceausescu, takes effect April 28. It requires private citizens to register their typewriters with police.

There was no official explanation for the rule, but knowledgeable Romanians said it probably was aimed at curtailing a steady flow of typewritten leaflets critical of the Communist regime that have circulated clandestinely in recent years.

In Vienna, a Western observer said the measure was designed primarily to suppress publication of written material by ethnic Hungarian, German and other dissidents, who have complained in recent months about increasing persecution.

The decree directed the Interior Ministry, which supervises the police and security forces, to register and control the "manufacture, possession and use" of typewriters and copying machines.

Typewriter owners now will be

required to apply to local police to retain their machines. Citizens will be required to submit to police a sample of figures and letters printed by their typewriter.

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U.S. Craft on Mars Remains Silent

By George Alexander
Los Angeles Times Service

PASADENA, California — The National Aeronautics and Space Administration has given up as dead the Viking 1 spacecraft on Mars since the unmanned probe has not been heard from for six months.

NASA officially proclaimed the craft's demise Tuesday. Engineers at the Jet Propulsion Laboratory near Pasadena, California, are still hopeful, however. They agree that Viking 1's long silence is ominous, but they refuse to give up until May, when there may be another

opportunity to communicate with it.

The engineers have been controlling Viking 1 and 19 other probes from a flight operations center on the laboratory's grounds. They had been communicating with Viking 1 on the average of once a week.

But the communications began growing weaker last year, according to George Gianopoulos, the Viking project manager. In November 1982, Viking 1 stopped sending messages altogether.

"We had been having a problem with its batteries," Mr. Gianopoulos said. "They were showing signs of old nickel-cadmium units starting

to run down. And we've been aware that Viking 1's antenna may not be pointed correctly at Earth. But had this been all that was wrong, we should have been able to fix it."

The last commands to Viking 1 were sent in late February.

Viking 1 was one of two landers that settled on Mars in 1976, each having been dropped from an orbiting spacecraft. They were to look for signs of life on Mars (none were found), to analyze its soil, to monitor the planet's weather and to detect seismic tremors. The orbiters took pictures of the terrain.

Christina Stead Dies in Australia; Novelist Was 80

New York Times Service

NEW YORK — Christina Stead, 80, an Australian-born novelist and short-story writer, died March 31 in Sydney.

Her best-known book is "The Man Who Loved Children," published originally in 1940 and hailed as a "modern masterpiece" when it was re-issued in 1965.

Born in Sydney in 1902, Miss Stead graduated from Teachers' College, Sydney University, and in 1928 moved to Europe where she worked at a variety of jobs in London and Paris.

She had written a book of short stories while in Australia, some of which formed the basis of a collection of stories that was published in England and the United States in 1934. She traveled throughout Europe with William J. Blake, an American writer of historical romances whom she later married, and moved to the United States in 1937.

In the early 1940s, Miss Stead was a screenwriter for Metro-Goldwyn-Mayer. She and Mr. Blake moved back to Europe in 1947 and settled down near London. Mr. Blake died in 1968. She returned to Australia in 1974.

One of her early novels, "House of All Nations," a tale of financial manipulation in Paris at the beginning of the Depression, was a big seller in 1938.

Other deaths: Georges Albertini, 71, founder and editor of the monthly anti-Communist magazine "Est-Ouest," and counselor to such political figures as President Georges Pompidou of France and Mayor Jacques Chirac of Paris, March 30 in Paris.

Lafranco Raspoli, 69, publicist and author, last weekend in Rio de Janeiro. Mr. Raspoli had represented such singers as Renata Tebaldi and Franco Corelli in New York during the 1940s and 1950s.

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Herald Tribune

Published With The New York Times and The Washington Post

'To Save the Land'

It is said that Jordan still cannot see its way to sitting down with Israel. Who knows when, or if, as good an opportunity for peace may arise again? Still, you can hardly blame King Hussein, given his absolute requirement not to get out of step with the PLO. He tried, and for awhile it looked as though Yasser Arafat would join a negotiating partnership with him. But Mr. Arafat suddenly changed his mind, or could not swing key factions, or was intimidated by hints of the violence that killed his most ardent ally in Portugal, or was pressured or bought off by Syria or Libya, or whatever. Consultations continue, the Reagan administration insists. But there should be a difference. In the four years since Camp David created the Palestinians' first new political opening in 30-odd years, and in the seven months since President Reagan reshaped it, the frailties of the PLO have become apparent. No one concerned with Palestinian dispersion and disenfranchisement can count on the PLO. It lost its last military option in Lebanon last summer and it may now have cast away its lone live political option. By insisting on getting all a pre-cooked Palestinian state — it ensures that it gets nothing.

It will be said that the PLO's default leaves Israel morally as well as politically free to consummate the annexation of the West Bank.

But the Palestinian people cannot be penalized indefinitely for the shortcomings of the PLO. Notwithstanding the huge boost that the Arafat negaivism gives to Israeli annexationists, it is wrong for the future of the occupied territories to be decided by force alone. The key fact is that the statehood-or-nothing approach of the PLO has only feeble support among West Bankers. Their priority is to stop the pouring of Israeli concrete — "to save the land," as King Hussein put it — to end the Israeli occupation. Those who would be constructive now must find ways to encourage this pragmatic gradualist temper.

President Reagan will be faulted for the moderation of his Sept. 1 plan and for not playing his hand with enough skill or muscle. But his plan was right. It was designed to give Israel a negotiating partner and the Palestinians a homeland. No U.S. diplomatic method can satisfy absolutism of the PLO's sort.

It would be foolish to chase further after the PLO. But it would be shortsighted not to continue the effort to draw out a Palestinian negotiating partner on the West Bank. No one can be sanguine, but it remains true that only in negotiations can Israelis be expected to make the concessions and they should understand, reap the benefits that add up to peace.

— THE WASHINGTON POST.

A Strategic Innovation

President Reagan's commission on strategic forces makes the best case it can for the MX, the missile so long in search of a mission, and the case is still not persuasive. But this distinguished panel has at last produced a clear and comprehensive analysis that argues impressively for a radical innovation: the urgent production of a small, single-warhead missile that would enhance both America's defenses and the chances for effective arms control.

The commission recommends a debatable deployment of 100 huge MXs by 1986 in the existing Minuteman silos. But it would then shift to the smaller missile, probably mobile, by 1993 and to a new approach to arms control to limit warheads instead of launchers. Above all, it has demystified the issues and provided enough expert information to let Congress reach its own conclusions.

A sober debate will surely ratify the recommended shift to a one-warhead "Midgetman." Together with a shift in arms control proposals, that could encourage both the United States and the Soviet Union to move gradually away from the multiple-warhead missiles that make the arms race so unstable.

The Scowcroft commission suggests a \$5-billion effort to develop Midgetman by 1987, aiming for deployment in the early 1990s. It rightly concludes that this small missile, and not the MX, offers the answer to America's land-based missile problem.

The existing 1,000 Minuteman missiles are potentially endangered not so much by the size and accuracy of Soviet missiles as by the number of warheads they carry. Thus some 300 of the Russians' 1,400 ICBMs could theoretically take out most of America's 1,650 Minuteman warheads, leaving abundant power to discourage American retaliation. But if both sides were limited to roughly equal numbers of single-warhead missiles, such pre-emptive attacks would become unprofitable. Al-

lowing for misfires and misses, an attacker would have to expend more than 200 missiles to destroy a mere 100 enemy warheads.

Shifting to Midgetman is not without its own problems. If the Soviet Union joined the shift, as few as 500 on each side might eventually suffice. They could then be based in silos, where control, communications and verification are all more secure. But if America shifted alone, it might need several thousand missiles in mobile form. A mobile design is therefore essential at the outset, leaving many basing and verification problems to be solved.

That leaves a gap of about a decade, during which the Scowcroft commission would fill in with some MX deployments. It would put them in Minuteman silos — contending that Mr. Reagan and others have exaggerated the significance of their vulnerability. But if that is so, there is not much of a case left for the MX. For with minor changes the commission's argument for an interim MX can also justify quite another solution: a speedup in developing the Trident-2 submarine missile.

The commission would risk putting MXs in Minuteman silos because it thinks American bombers and submarines can effectively deter surprise attack for at least a decade more. It says 100 MXs would not threaten the Russians with a pre-emptive all-out assault, but would be a good enough "first-use" force to counter a Soviet attack against the European allies. And their number could always be increased, if needed, as a prod to negotiations. But the Trident-2 could do all that from invulnerable bases at sea. And if ever Minuteman ceases to be a convincing deterrent in allied eyes, the Trident-2 could also be substituted on land.

In sum, the MX is still begging for a purpose. But the facts are becoming clear, and a prudent course for America's strategic weapons is finally coming into view.

— THE NEW YORK TIMES.

Other Opinion

Another Victory for Gandhi

Coming hard on the heels of the success of "Chariots of Fire" last year, which was also acclaimed best film, the victory of "Gandhi" sets the seal on the remarkable comeback of the British film industry.

The message that comes across strongly is the generosity of Hollywood in voting its most coveted awards twice in a row to a British production. The odds were weighted against it. The simple explanation seems to be that the Academy voted for sheer quality — and, perhaps, admiration for the 20-year struggle Sir Richard had to get the film made at all.

But there is another aspect to this triumph which in the fervor of the moment may be overlooked. "Gandhi" is a film that more than any of its rivals mirrors the prevailing mood of the time as other Oscar winners in other times have echoed the sentiments of their year. You may not agree with those sentiments. You may think they're just an expression of a trendy, liberal fringe. But nevertheless they're held by a deeply committed and growing minority.

Gandhi's example of passive resistance to influence political decisions reflects the feelings of people all over the world today, worried about the nuclear deterrent, unemployment and the economic situation. At a period when the ordinary person may feel helpless in

the face of situations over which they appear to have no control, the story of Gandhi is of a man who rallied the forces of right, as he saw it, not by violence or terrorism but by stubborn tenacity and faith. And he won. It's the truth that propels and acclaims "Gandhi" does not offer, and the Academy members are as much members of the public as any of us.

— Margaret Hixman and Quentin Falk in the Daily Mail (London).

What is perhaps most remarkable about "Gandhi" is that after 20 years of Attenborough's efforts, anyone stumped up the cash for the venture. It was James Lee, Goldcrest's chairman and chief executive of its parent, Pearson Longman, who nudged Pearson away from its more conventional interests — the Financial Times and Penguin Books.

While one may argue about the artistic merits of "Gandhi" over its rivals, the fact that it was financed at all, after so many years of Attenborough's fruitless searching, depended more on Pearson Longman's changing nature than the quality of the subject.

What it has proved is a truism the British film business forgot: that a good picture attracts audiences and acclaim. What "Gandhi" does not offer is a miracle ingredient to solve a sorry film industry's ills.

— David Hewson in The Times (London).

FROM OUR APRIL 14 PAGES, 75 AND 50 YEARS AGO

1908: Fire Rages in Boston

BOSTON — The fire which raged all day yesterday in Chelsea is the most serious blaze in Boston since the great fire of 1872, which burned the chief business portion of the city and destroyed property to the tune of \$74,000,000. An area of about 500 acres has been devastated, and the property loss is estimated at \$15,000,000. Probably 12,000 persons are homeless; 10,000 are camped near the army barracks, where thousands of tents have been erected for their use. Among the buildings destroyed are two libraries, two hospitals, and the Marine Hospital and Naval Hospital, 13 churches, the courthouse, the city hall, the soldiers' home, five banks, 200 business buildings and 600 or 700 dwellings.

1933: Moscow Trial Continues

MOSCOW — Introduction of a deposition in the handwriting of William Thornton, in which he had stated that 27 British employees of Metropolitan-Vickers were engaged in the U.S.S.R. in military, political and economic espionage, featured the second day of the trial. Faced with this deposition, Thornton stated firmly: "I deny everything I said in this document. I lied against myself and against others." MacDonald, whose plea of guilty to espionage and sabotage charges was the sensation of the first day's session, changed his plea to "not guilty." Within a few minutes after the "not guilty" plea, MacDonald switched again and testified to the truth of the statements he had made.

Ignorance, Fear, Bad Faith and Lots of Big Power

By William Pfaff

PARIS — A recent Warsaw "disinformation" story holds that Zbigniew Brzezinski, the former U.S. national security adviser, was responsible for the election of Pope John Paul II. The attitudes that seem to lie behind this propaganda exercise are interesting and troubling.

The Warsaw story claims to quote a memorandum from Mr. Brzezinski to President Jimmy Carter in March 1978 outlining a plan to create unrest in Poland and pull it out of the Soviet orbit. Cardinal Karol Wojtyla's installation as pope was, by implication, a part of this plan.

There is more to this. According to a Washington report being circulated by the U.S. Information Agency, a Soviet intelligence service document exists which draws exactly this same conclusion — not for propaganda ends but for the guidance of the Soviet government itself.

This analysis, which U.S. officials describe as an "undoubtedly authentic" KGB appraisal of the pope's election, claims that Mr. Brzezinski and another Polish-American, Cardinal John Joseph Krol of Philadelphia, organized the other American cardinals and influenced the West Germans to vote as a bloc for Cardinal Wojtyla at the October 1978 papal conclave.

An anti-communist Polish-American in the White House, a Polish-American cardinal in Philadelphia, a first Pope elected pope, the emergence of Solidarity in Poland, influenced by Polish Catholic intellectuals and enjoying the church's support — it all seems to fit together. All too plausible is that a Soviet intelligence analyst would put all of it together and add it up to make five.

The story fits Soviet mirror-thinking. If the KGB could rig the election of the pope it would surely do so. The thought that American cardinals

might resist manipulation by Mr. Brzezinski and the CIA would seem unlikely to a Soviet analyst. Cardinals by definition are reactionaries, serving a reactionary interest.

From such a Soviet analysis the conclusion equally would follow that this pope must be stopped. The attempted assassination of John Paul II and the alleged plan to kill Lach Walesa while on a visit to Rome both make sense if the Soviet government believed it was being attacked by the United States at the most vulnerable point in its East European security system, in Poland.

The United States would seem to be circulating this report because it reinforced the evidence that Italian services have revealed of Bulgarian, and implicitly Soviet, involvement in the papal attack and the Walesa plot. But it shows something else. It suggests an astonishing Soviet fear of American power, of the effectiveness of CIA conspiracies — able to reach into the Vatican itself at the moment of a pope's election.

For Mr. Reagan the Kremlin is the "focus of evil." He has made clear that he regards the Soviet rulers as aggressive and untrustworthy. His view borders on a kind of fundamentalism, and the Soviets come close to the truth when they describe it as "primitive" anti-communism.

Public Soviet portrayals of Mr. Reagan are equally harsh. They depict him and his aides as the "most reactionary" U.S. administration in a generation. Among some high Moscow officials there is a note of disappointment in this appraisal.

The Soviet hierarchy is not a monolith. It has its moderates, its hard-liners and its fence-sitters, as does the American government. Recent visitors to Moscow, including

unprecedentedly large, risky and politically costly intelligence operations in the West to obtain technology and industrial processes hopelessly beyond its means to develop at home.

The Soviet spies expelled from France were not interested in state secrets or in infiltrating the government. According to the French Ministry of the Interior, they were conducting a "systematic search throughout the national territory for scientific, technical and technological information, particularly in the military domain."

In the Soviet-U.S. relationship today there is a mirror-imaging of fear. Both sides act as if their backs were

to the wall. Little that happens between them is allowed to possess independent cause or motive. Poles, Afghans, Nicaraguan Sandinistas, Salvadoran rebels, the pope — all act on the orders of their "masters."

People in the government in Washington have expressed much confidence recently that the hardened statements and decisions of the Soviet Union in recent weeks mean nothing serious. These are held to be propaganda which will pass.

I am not so sure. The amount of miscalculation, ideological preconception, bad analysis, fear (justified and otherwise), and ill will between the two countries seems to me never

to have been higher since the death of Stalin 30 years ago.

For the two sides to see one another truly would not mean that they would make peace with one another. That is the liberal fallacy — that international conflict is merely the result of misunderstanding. The fundamental hostility between the United States and the Soviet Union is based on misunderstanding; it is inevitable, given the rival political and moral commitments of the two.

What is not inevitable is that they conduct their relations amidst culpable ignorance, with fear and faith their counsellors. That seems very close to the case today.

International Herald Tribune
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Superpower Distrust Seems Mutual

By Stanley Karnow

WASHINGTON — We know what Ronald Reagan thinks of the Russians, but what do the Russians think of him?

For Mr. Reagan the Kremlin is the "focus of evil." He has made clear that he regards the Soviet rulers as aggressive and untrustworthy. His view borders on a kind of fundamentalism, and the Soviets come close to the truth when they describe it as "primitive" anti-communism.

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The Soviet hierarchy is not a monolith. It has its moderates, its hard-liners and its fence-sitters, as does the American government. Recent visitors to Moscow, including

some who insist on anonymity, have found a spectrum of opinion about the United States. Overall, though, they report that senior Soviet officials are deeply pessimistic about the prospects of an accommodation with the Reagan team. Some concede that their early hopes for a rapprochement have evaporated.

The more sophisticated among them had originally reckoned that Mr. Reagan and his first secretary of state, Alexander Haig, might be the reincarnation of Richard Nixon and Henry Kissinger. They had expected that, like Mr. Nixon and Mr. Kissinger, the conservative Reagan would be immune from attacks from the right in the United States and could thus turn the clock back to the cooperative days of détente. Indeed, many

were even looking forward to Mr. Reagan after Jimmy Carter, who baffled and confused them as much as he puzzled and confounded the American public. The Russians prefer a clear-cut "reactionary" to an enigma. But Mr. Reagan, unlike the pragmatic Nixon, has come across as a radical right-winger, even more doctrinaire than the Soviets imagined. A top Soviet figure referred to him as an "extremist."

The Soviets admit that Mr. Reagan has displayed a measure of flexibility. He lifted the embargo on grain sales and he backed away from his attempt to block the Soviet natural gas pipeline to Western Europe. As they see it, though, these moves are due less to a desire to improve relations with the Soviet Union than to domestic and international pressures. In their view Mr. Reagan's basic goals are unalterably hostile.

They point out that he wants to re-establish global U.S. predominance, block the extension of Moscow's influence in the world and then go on to foment trouble within the Soviet empire. With such aims, they say, détente is unlikely.

Still, according to my informants, they perceive a ray of hope in the possibility that Mr. Reagan may be constrained by realities at home and abroad. Looking at the pipeline squabble, for instance, they conclude that the West Europeans, not Mr. Reagan, are the real obstacle toward the Kremlin. So, they estimate, he may be compelled to dilute his position in order to keep the Atlantic alliance intact.

They take the U.S. nuclear freeze movement seriously. They disagree with its objectives, which also call for a freeze of the Soviet arsenal, but they regard it to be a symptom of growing domestic U.S. opposition to Mr. Reagan's arms buildup.

Their propaganda army, they realize that the American economy is robust and getting stronger. Still they calculate, Mr. Reagan's military expenditures will increase the U.S. budget deficit and force his retreat.

Thus the Soviets do not seem to be truly alarmed by Mr. Reagan even though they do not anticipate success in their negotiations with him. Their strategy, consequently, is to wait him out. Perhaps his success will be better, they speculate.

What is worrisome in all this, they think, is that their lack of hope for reconciliation is driving them to fortify their own military establishment with the result that there seems to be no end in sight to the arms race.

They have of course been building bigger and bigger weapons for years, and their present effort to compete militarily with the United States cannot be blamed on Mr. Reagan. Even so, he is not offering them incentives to move toward an arms control agreement, as Mr. Nixon did.

At best, the period ahead augurs a deadlock in relations. But the continuing arms race is an extremely dangerous prospect, if only because nuclear war could erupt by accident.

Tribune and Register Syndicate.

Gandhi the Political Strategist May Be Relevant to the 1980s

By Gene Sharp

NORTH DARTMOUTH, Massachusetts — Mohandas K. Gandhi is remembered by most people as a remarkable ascetic whose power depended on the spiritual magnetism of his personality. But Gandhi was more than a charismatic leader. He was a pioneering political strategist, the most significant single innovator of nonviolent political struggle in this century.

"The English nation responds only to force," Gandhi asserted. He therefore led resistance struggles to mobilize the needed force non-violently, arousing the formerly passive masses to take part in marches, picketing, economic boycotts, civil disobedience, political noncooperation and the creation of parallel government.

His experiment with "war without violence" is significant today because it offers a practical, effective substitute for violence for political ends. Recently, social scientists have begun to study nonviolent political struggle to learn about its nature, dynamics and requirements for success against diverse opponents. Scholars, politicians and even military strategists have begun to examine its practical potential in current political and international conflicts.

Gandhi's nonviolent strategy was based on a fundamental insight into the nature of government: All rulers are in fact dependent for their power on the submission, cooperation and obedience of their subjects. By withdrawing this cooperation, people can cut off the sources of the rulers' power, forcing the government to a standstill or even disintegrating it.

Nonviolent action had a long but largely unknown history. Gandhi consciously built on precedents from Ireland, Africa, Russia, England and China, as well as India. He broadened and refined the technique's strategy and tactics, and developed new forms of civil disobedience, political noncooperation and nonviolent intervention, linking it all with a program for social change and for building new institutions.

India's adoption of nonviolent struggle to achieve independence was not a moral or doctrinal act but a political one. Gandhi could rally the people to nonviolent campaigns because

they recognized the technique as a practical and effective alternative to submission and violence.

The success of nonviolent struggle cannot be attributed simply to the particular Indian situation or, as many critics have claimed, to the "gentleness" of the British. By withdrawing obedience and cooperation, nonviolent struggle strikes at the roots of the power of all rulers — as the viceroy, Lord Irwin (later the Earl of Halifax), declared in alarm in 1930.

The current dependence on military force to fight oppressors and aggressors is based on the belief that there exists no viable alternative. Gandhi's challenge — and that of Solidarity in Poland, among others — is that an effective alternative exists. By applying powerful political, social, economic and psychological weapons, it is a means of struggle that can preserve and extend freedom in the face of modern tyranny.

Gandhi foresaw that nonviolent struggle would grow beyond his experiments, as indeed it has, and that it could be refined, its effectiveness deliberately increased and the technique made practical for future conflicts.

Nonviolent uprisings in 1944 toppled military dictatorships in El Salvador and Guatemala within days. Could it be done in the 1980s? Non-cooperation defeated Vidkun Quisling's plan for a "corporate state" in occupied Norway. In several countries it saved many Jews.

How could people become better prepared for such struggles in the future? In communist Poland, as in British India, the regime is torn between repression and accommodation in the face of defiance and resistance. How can democratization be advanced there and elsewhere?

Improvised nonviolent resistance in Czechoslovakia in 1968-69 held off full Soviet control for eight months, when military demonstrations would have been futile. West Germany's Greens have advocated a national defense policy of prepared mass noncooperation and defiance, aimed to attack any Soviet invaders at their weakest points: The need for submission of the population, and for reliable troops and functionaries.

Will the electoral successes of the Greens, or



The investigations in progress by the Swedish and Dutch governments, lead to gradual adoption of nonmilitary, civilian-based means of deterring and defeating aggression?

Gandhi would have argued that nonviolent struggle is relevant as a substitute for guerrilla warfare in Central America, as an alternative to nuclear weapons in Europe, as a technique of self-liberation in Eastern Europe and as a means of struggle superior to war and terrorism in the Middle East and Northern Ireland.

Is it possible that he would have been right? The military options for waging these conflicts have serious limitations and problems. We need investigations of whether nonviolent struggle might have a greater practical potential than most people have thought.

The writer teaches political science at Southeastern Massachusetts University and is an associate of Harvard's Center for International Affairs and author of "Gandhi as a Political Strategist" and "The Politics of Nonviolent Action." He contributed this article to the Los Angeles Times.

Meanwhile, the Military Space Age Has Already Arrived

By Flora Lewis

LONDON — A small group of people, including some top experts on space war, has held a conference near here on the military use of space. Their chilling conclusion was that the military space age has arrived, and cannot be revoked. The question remaining is whether there will be weapons in space and war in space. Even more chilling is the fact that these experts don't agree whether the possibility is good or bad for the United States.

There is, the experts said, remarkably little time left to make policy decisions that will lead America toward the "new high ground," as advocates call space in the military sense of seeking dominance, or away from it toward arms control.

The little-noticed establishment of an Air Force Space Command last year was more important than President Reagan's recent call to seek an anti-missile weapon in space. It created an organizational base for those who want to challenge the Russians on their own terms because they think there is a chance of breaking out of military balance to decisive superiority.

Then again, as Fred Ikle, undersecretary of defense, has put it, that this would move war "out there where the people aren't." They speak in terms of a more secure defense, but it is clear they think this would also reduce inhibitions on forceful pursuit of American interests on Earth.

They do not discuss what wars are about or what they are supposed to solve. They seem to take it for granted that competition with the Russians is bound to bring conflict some where, so they suggest space not only because it is distant but because they believe the United States can permanently hold the lead.

Richard L. Garwin, who helped build the H-bomb and has worked for 32 years on exotic weapons and defense developments, warned a Senate committee against these beliefs last fall. "Space wars are not an alter-

native to war on Earth," he said. "In my view they are a prelude to war on Earth." And he added that "we are on the verge of war in space" because of weapons the Soviet Union has tested and better ones the United States is preparing.

It is true that the space-based laser or electronic beam Mr. Reagan had in mind to shoot down Earth-based nuclear missiles is 20 or 30 years away, if it ever proves feasible. But the risk of space war is no longer science fiction because of the development of anti-satellite weapons, or ASATs in the jargon.

Studies of defense against missiles and attacks on satellites are conducted separately, but the link is inescapable. An anti-missile ray would have to be stationed on a satellite and would only be as secure as the satellite's invulnerability to ASATs, including minuscule "space mines" that Mr. Garwin's fertile brain has envisaged in quite practical terms.

Work on ASATs is forging ahead now in both the Soviet Union and the United States. Space is already militarized — not with weapons yet, but with surveillance, communications and guidance systems that warn of a potential enemy's activity in peace and direct earthly weapons to precise targets in war.

"Sweeping the skies," as military planners call destruction or incapacitation of these satellites, would give the side that managed it such an advantage that the other side would probably consider it the first step to war and might well retaliate on earth. The United States is well ahead of the Russians in these satellite systems. That is a plus so long as they function, but also a weakness because the United States relies on them and could be struck dumb and blind if they were ruined.

Many kinds of countermeasures are possible, but it will also be possible to leapfrog them with new offensive devices. The story of MIRVs, which were supposed to put America far in the lead in the 1960s but spurred Soviet programs endangering the U.S. Minuteman now, is regularly cited by these experts who are convinced that there is no kind of scientific wizardry to assure long-term U.S. superiority. On the contrary, the lesson of MIRV is that another cycle in the arms race only assures soaring costs and greater risk of war.

Does that mean that Ronald Reagan's glint-in-the-eye vision of a defense against nuclear weapons must be totally rejected? Not necessarily. The history of weaponry is a swing between preponderance for defensive and offensive arms. But it does mean the effort must not be allowed to be a race and that the need for negotiated agreements is more urgent than ever.

The Russians proposed a treaty to ban certain kinds of ASATs in 1981 after preliminary negotiations broke

down because of the invasion of Afghanistan. None of the American experts find the draft acceptable as is, but those who wisely fear space war urge a counterproposal now.

A Senate resolution asks Mr. Reagan to resume talks for "a verifiable ban on anti-satellite weapons as a first step toward prohibiting all space-based and space-directed weapons." Anyone who realizes that war in the sky is far nearer than pie in the sky should urge the Senate to pass pending Resolution 43.

The New York Times.

LETTERS TO THE EDITOR

Gandhi in Our Time

Herbert London, after witnessing the film "Gandhi," concluded some weeks ago (in "The Case Against Passivity," *IHT*, Jan. 31) that Gandhi's "spiritual nature did not provide him answers to eschatological questions," and noted that "what this film leaves is an inspiring figure with relatively few prescriptions for our time."

Mr. London was disturbed by the "generalizations that emerge from the film" in audience comment to the effect that this is "what we ought to do against our enemies."

However, Gandhi's preoccupation with the "doctrine of death, judgment, heaven and hell" (eschatology, according to the Oxford dictionary) is overwhelmingly reflected in voluminous writings which even a stray reader could hardly escape.

As regards Gandhi's prescriptions for our time, here is a sample: "One is certain, if the mad race for armament continues, it is bound to result in a slaughter such as has never occurred in history. If there is a victor left, the very victory will be living death for the nation that emerges victorious. There is no escape from the

impending doom save through a bold and unconditional acceptance of the nonviolent method."

And this: "Terrorism and deception are weapons not of the strong but of the weak." Gandhi's case for passive resistance is solid.

Prof. RATILAL R. JOSHI, Vienna.

On Anti-Americanism

Regarding the report "Anti-Americanism in Europe Target of a U.S. Strategy" (*IHT*, April 5):

So President Reagan is devising a strategy to counteract anti-Americanism among younger Europeans. I hope he realizes that there is only one way to curb anti-Americanism, and that is not by propaganda but by righting the wrongs that young people are only too aware of. As the front-page article states, "The best educated in their societies were those who appeared most reserved about American society and leadership."

It is the American military buildup, aggressive policies toward the Soviet Union and unshamed intervention in Central America in support of its ideological paranoia and its eco-

nomic interests regardless of the human cost, that disgust us. No, it is not we who need to change our attitudes toward America, it is America that needs to look into its soul with humility and purge itself of nationalistic arrogance and self-righteous hypocrisy. Only then will America earn the respect that Mr. Reagan seeks.

Sir JOHN WHITMORE, London.

Shakespeare Footnote

A brief footnote of correction to "Shakespeare Footnote" (*IHT*, April 8): The Globe theater did not burn down in 1608; the destruction of the theater occurred in 1613 during a performance of Shakespeare's "Henry VIII" when a miscalculated stage effect ignited the building's straw roof. Incidentally, by that time Shakespeare's company was no longer known as the Lord Chamberlain's Men. Some 10 years earlier they had changed their name to the King's Men, having become the official troupe of King James I.

RICHARD LORD, Globe Drama Productions, Frankfurt.

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SCIENCE

Ocean Disturbance Has Wide Effects

By Walter Sullivan

EARLY LAST YEAR a modest increase in air pressure began to be recorded at Easter Island in the southeast Pacific. Although little heed was paid at the time, that increase heralded a sequence of events that have dumped torrential rains on California, Florida, Ecuador and Peru, swept away some of California's most prized beaches and taken a score of lives there, destroying a dozen piers and many large ship hulls.

Elsewhere the consequences of that barometric uptick have wrought havoc with Peruvian fisheries, annihilated millions of oceanic birds and devastated Australia with drought. And the end may not be in sight. These events, at whose heart lies an enormous transfer of warm water from west to east across the Pacific, appear to be the most intense and extensive disruption of oceans and atmosphere since detailed records began to be kept in this century.

The same phenomenon, but on a smaller scale, occurs periodically, manifested chiefly off the west coast of South America, where it brings torrential rains to the arid coastline and disaster to the fishermen of Peru. Because the disturbance typically begins during the Christmas season it is known there as El Niño, from a Spanish name for the Christ child.

THIS TIME, however, the whole eastern Pacific from Chile to Alaska has been affected, as have areas as far away as the east coast of North America. And just as it began far earlier in the year than a typical El Niño, it is only now, after more than a year, beginning to show signs of abatement.

Scientists of the National Oceanic and Atmospheric Administration and other institutions have learned much about the sequence of events once the process begins. They have used sea-level measurements on islands across the Pacific, observations from earth satellites and ocean buoys, temperature recordings from ships and air-dropped devices.

The prime mystery, is what sets the whole sequence in motion at intervals that have ranged from four to more than 30 years. Because of its somewhat rhythmic recurrence, weather scientists have dubbed it the "southern oscillation." The U.S. assault on its cause is called the ELSON (for El Niño-Southern Oscillation) experiment.

That El Niño might be related to

a slackening of the trade winds was proposed in the 1950s by the Swedish-born meteorologist Dr. Jacob Bjerknes of the University of California at Los Angeles. Normally, the waters off Peru and Ecuador are cool and rich in nutrients, nitrates and phosphates that support the algae that support the long food chain of larger creatures. This cool water wells upward to replace warm surface waters blown away from the coast by the trade winds, providing one of the world's most productive fisheries.

When the trade winds slacken, Dr. Bjerknes reasoned, the warm water is no longer blown westward and the nutrient water is buried under a hot, stagnant layer. This process would produce all the observed effects of El Niño: starvation of fish and of the sea birds that feed on them, as well as flooding of the arid coast by rain derived from the warm surface waters.

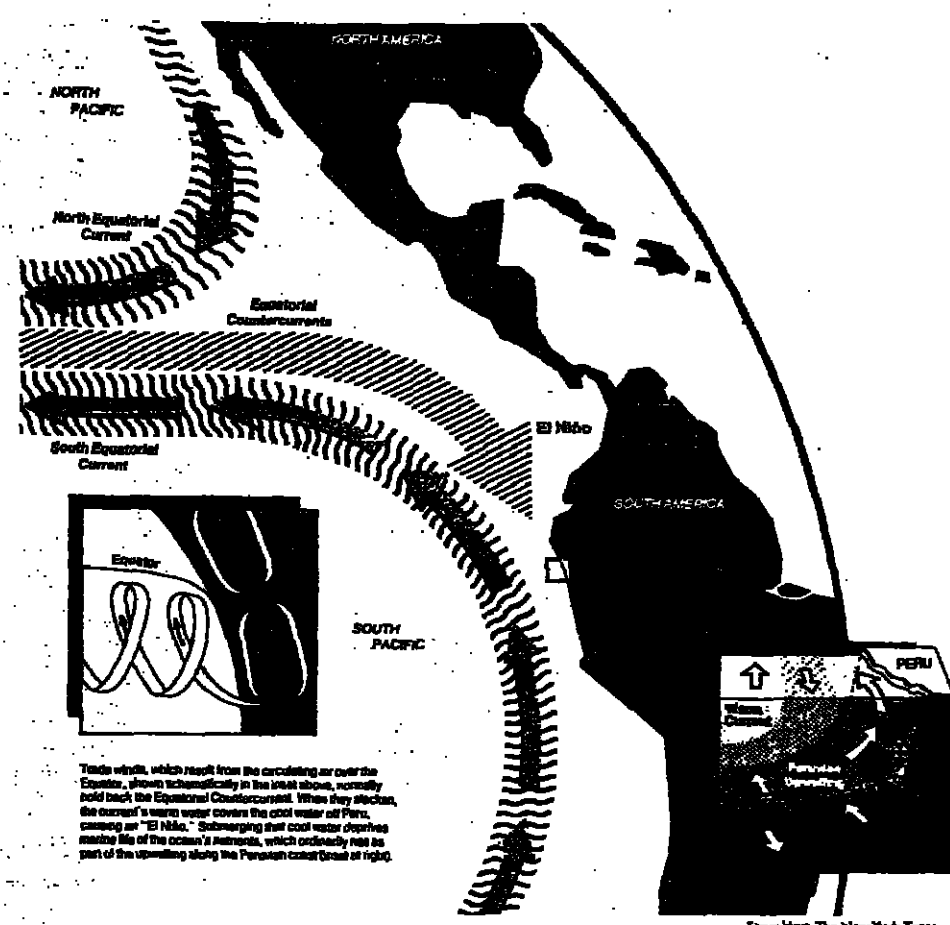
It now appears, however, that a far grander scale of events is involved. Measurements by tide gauges at 33 stations on Pacific islands and at coastal sites have shown that as El Niño evolves, sea levels in the western Pacific subside while those in the east rise.

These observations led Dr. Klaus Wyrtki of the University of Hawaii to propose that an El Niño sequence occurs after prolonged and powerful trade winds have blown large amounts of warm surface water toward the western Pacific. When the winds slacken, he said, this water flows back to the east, burying the cool waters off South America—and, to some extent, as far north as California.

The current El Niño, Dr. Wyrtki said, was "totally" and "I mean totally" unexpected. Not only did it not begin at Christmas, but it did not follow a period of unusually strong trade winds. Nevertheless, a slackening of the winds and a surge of warm water from west to east were documented.

In contrast to earlier El Niños, the oceanic effects were first observed in mid-Pacific, rather than off South America. By last July the sea level at Fanning Island and Christmas Island had risen six to 10 inches. At Palau and Guadalcanal in the western Pacific, the level of the sea sank to from four to six inches below normal. By October, this eastward-moving surge had reached the Galapagos Islands off Ecuador.

Although these sea level changes involve only a few inches, they occur over millions of square miles, causing monumental transfers of



Trade winds, which push from the southeast over the Pacific, usually concentrate warm water in the eastern Pacific, causing an "El Niño." When the winds slacken, the warm water flows back to the west, causing a "La Niña." (Schematic diagram of the Pacific Ocean showing the movement of water masses during El Niño and La Niña.)

water and heat. In the eastern Pacific, especially off Peru, the surface waters, heated to 11 degrees Fahrenheit above normal, displaced the deep, uniformly cool region of the sea, hundreds of feet downward—enough to kill off much of the microscopic life on which the fish depend.

In mid-March Dr. Ralph W. Schreiber of the Natural History Museum of Los Angeles County reported that 16.5 million sea birds had vanished from their rookeries on Christmas Island.

Last December Dr. Alan E. Strong of the National Environmental Satellite and Data Information Service proposed that the current El Niño was set off when the atmosphere was heated by sulfur compounds thrown into the stratosphere by last spring's eruptions of El Chichón volcano in Mexico.

Unusually warm air at high altitudes, he said, would hamper the normal rising of hot air from lower levels. Ordinarily, after rising, that air then spreads away from the tropics, sinks and rushes back to the surface as the trade winds. Such hot air rises chiefly over equatorial land areas—South America, Africa and particularly Indonesia. If air high over the Equator is heated, Dr. Strong reasoned, hot air would rise from the surface with less vigor, weakening the entire circulation.

As 1982 progressed, the pressure difference between Darwin and Tahiti continued to shrink. At Darwin the normally low pressure reached its highest level in a century. In Tahiti it was the lowest in 50 years. Upward motion of moist air over Indonesia and northern Australia normally produces rain. Its curtailment produced a severe drought. As the trade winds slackened, warm water surged eastward across the Pacific and a full-fledged El Niño was under way.

Dr. Bjerknes proposed that such

long-range effects of El Niño could result from intensified north-south circulation of the atmosphere, set off by weakening of the east-west movements, but the problem remains unresolved.

There are hints in the eastern Atlantic of events comparable to El Niño. Off the east coast of Africa an upwelling of cool, nutrient-rich water like that off Peru feeds a rich fishery. The phenomenon in the Pacific may be more intense because that ocean is so much larger.

Perhaps, said Dr. Wyrtki, the oscillation represents "a kind of resonance in the entire ocean-atmosphere system." The chief hope for learning the answer probably lies in observations with a wide range of newly developed methods, over a succession of El Niño cycles.

Microbes Lurk in Hospitals

By Philip J. Hiltz

Washington Post Service

A HEALTHY, 6-pound baby girl, sent home with her mother only two days earlier, was rushed back to a Florida hospital in 1979, the third apparent victim of meningitis in the hospital nursery over several months. A few days later she died. A fourth case and a fifth case of the rare infection followed. When doctors began tests they found that more than 150 healthy infants had been infected while passing through the nursery. Two died; three others have permanent paralysis or brain damage.

Citrobacter, the rare microbe that caused the epidemic in the Florida hospital, had not been known to strike infants. The Centers for Disease Control investigated and decided that the infection was transferred unwittingly from baby to baby on the hands of the pediatric nurses.

These Florida babies were victims of hospital-caused infections, illnesses that strike hundreds of thousands of Americans each year and kill a minimum of 20,000. The problem is as old as hospitals, but there is something new. We have built great healing institutions and have created ways for the profoundly sick to be treated with miraculous new technology. To these sick people we attach needles, tubes and machines, and each one makes a new path into the body for infectious organisms. For each new instrument, new method and new set of antibiotics, new microbes appear. They develop new poisons, new resistance, new means of transporting themselves.

David E. Rogers, of the Robert Wood Johnson Foundation, wrote two decades ago about how the old infections were giving way to new ones, and he discussed a new microbe, *Pseudomonas aeruginosa*. This bug now is responsible for tens of thousands of hospital-caused infections and hundreds of deaths a year. Today's medical students learn that it is not only fatal to humans, but also that it is very resistant to drugs. So it has gone the full gamut, said Dr. William Schaffner, epidemiologist at Vanderbilt University hospital and chairman of the department of preventive medicine. "It was a brand new organism two decades ago. Then it became recognized as a cause of human disease. And now it has become resistant to treatment. The whole cycle in less than 25 years."

There is no doubt that a hospital is the best place to be when serious illness strikes. But hospital-caused infections, called nosocomial infections in medical literature after an obsolete name for a hospital, cost billions of dollars in extra hospital and doctor charges. And perhaps only 25 percent are preventable even with extraordinary measures, according to the CDC.

The single biggest factor in causing and preventing infections, according to Dr. Robert Haley, head of the hospital infection branch of the CDC, is one of the oldest on the books: Doctors and nurses need to wash their hands between examinations of patients. Handwashing is critical, but cleanliness in general is not as important in preventing the spread of disease in

hospitals as was once thought. Cultures from walls and floors, collected at the cost of tens of millions of dollars, are largely useless and a waste of money.

Antibiotics, once believed to be the magic-bullet cure for scores of diseases, now turn out to be a cause of disease as well. Because microbes can change from generation to generation, using antibiotics can make new generations of microbes stronger and more resistant to treatment than the ones before them. Antibiotics also can cause trouble when they enter the human system, because they wipe out all the harmless microbes. When the harmless inhabitants are gone, there is free food and space for the more deadly ones.

Almost all disease organisms are becoming more and more resistant to drugs. The dose of penicillin required to treat a common infection is now 50 times that used to treat the same infection 30 years ago.

Microbes seem able to live anywhere. Outside hospitals, bugs can survive frozen, in the antarctic, or boiled in sulfur in hot springs. In hospitals, they have been found to survive and multiply in distilled water. Doctors at the CDC were stunned when they found that iodine-based antiseptics used to cleanse skin and instruments were now, for the first time known to medicine, growing germs and infecting patients.

After World War II, Dr. Haley said, "we got the antibiotics, and people thought that would be the cure-all. They were used wholesale, both to prevent infection and to cure them. But by the late 1950s we suddenly found ourselves in the middle of a great epidemic of staph infections in hospitals."

THE organism involved—*Staphylococcus aureus* and other varieties—in about 1954 underwent two dramatic changes: It gained resistance to penicillin, and it gained virulence. But eventually, as unexpectedly as they came, the infections died out. Other organisms have now risen to take their place. A whole bundle of organisms called as a group "Gram negative bacteria," such as the *Serratia*, or the *Pseudomonas* that infected antiseptics, began to appear in more and more outbreaks, in unexpectedly virulent forms.

The latest bug to gain resistance to treatment is one of the oldest and still one of the deadliest scourges of man: the pneumococcal pneumonia. Doctors have watched it for 40 years, and have never seen it resist treatment with penicillin—until now.

"First there was a case in South Africa. Then one in Denver. Now we have spotted many of them across the country," said Dr. Schaffner. "This has come as a great shock."

Even though drug companies have introduced antibiotics in the past year that are effective against Gram negative bacteria, the microbes are still ahead. Richard Wenzel of the University of Virginia said. In the hospitals, doctors are beginning to realize the truth in what the eminent microbiologist Stanley Falkow says: "Bet on the microorganisms. We can't beat them. It's all we can do to try to catch up."

INTERNATIONAL POSITIONS

Opportunities in NIAMEY, NIGER

The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) is a non-profit research, educational, development and training institute involved in the improvement of a variety of crops and the development of farming systems/cropping patterns in the semi-arid tropics. The following positions will be based in Niamey, Niger.

ADMINISTRATIVE OFFICER

Responsible for accounts, budgets, disbursements, purchasing, personnel activities, vehicle allocation maintenance and supervising an administrative staff throughout West Africa. A BA/BS Degree or License, 3 years' administrative experience, and English/French fluency required. Work experience in a developing country (especially West Africa) desirable.

PROJECT DEVELOPMENT OFFICER—Civil Engineer

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INSIGHTS

U.S. Trade With Iran Resumes Haltingly as New Pragmatism Is Seen

By Martha M. Hamilton
and Thomas W. Lippman

WASHINGTON — Business contacts and commercial agreements between the United States and Iran, interrupted four years ago when Ayatollah Ruhollah Khomeini came to power, are slowly resuming.

Diplomats, business executives and scholars with contacts in Iran say that a new pragmatism is asserting itself and that some Iranians are again willing to deal with U.S. suppliers or are looking ahead to a time when they will be free to do so.

Known U.S. direct exports to Iran amounted to about \$200 million last year, according to Commerce Department figures. Most of the exports were wheat and rice, but export licenses issued by the Commerce Department in recent months show that the Iranians are also buying electronic and scientific equipment.

Official contacts between the two governments remain confined to the international tribunal in The Hague, which was set up under the terms of the Algiers agreement that gained freedom for the American hostages in Tehran.

The tribunal is considering billions of dollars in claims against Iran by U.S. corporations that formerly did business there, and Tehran's claims against Washington for delivery of vast amounts of weapons and military equipment that were held back when the revolution toppled the regime of Shah Mohammed Reza Pahlavi.

Export Licenses Refused

The Iranians have paid for some of the weapons and even have taken title to some of it, according to State Department sources, but the U.S. government has refused to issue the licenses required to export it. If the tribunal should order the release of any of the military equipment, the United States is unlikely to comply, State Department sources said.

The U.S. position is that Iran knew the military equipment was subject to export restrictions and is now trying to use the Hague tribunal to gain access to restricted material.

Despite the absence of official relations between the two countries, however, there is no legal barrier to trade by private business, and several sources report indications that this is resuming.

Just within the last month, according to well-informed sources, a group of Iranian businessmen and technocrats proposed holding an informal meeting in London with prospective U.S. business contacts. Iran's religious rulers frown on overt dealings with Americans, but there is an awareness among Iranians that the situation might change after the death of Ayatollah Khomeini, who is 82 and suffers from heart problems.

The new Iranian approach is said to be discernible in the way the Iranians have begun to settle some of the claims filed by American companies in the Hague tribunal. Iran appears to be giving priority to companies that would logically be future suppliers of needed goods and services, participants in the cases say.

"The pattern has been that Iran will discuss settlements with companies, at least some companies, when it wants to get back into commercial relations with them," said R. Markham Ball, an attorney who represents U.S. claimants.

James R. Utopina, general counsel of Santa Fe International Inc., now a subsidiary of the Kuwait Petroleum Co., said he had heard rumors that Iran would settle outstanding claims filed by oil field equipment suppliers if they would agree to go back into Iran and help rehabilitate the country's damaged oil fields.

More than 3,700 claims were filed with the special tribunal, mostly by U.S. companies against Iran, but several by Iranians against the United States, including the military claims and a demand for compensation for the former Iranian Embassy in Washington.

Of the 965 claims for amounts over \$250,000, only 35 had been adjudicated or settled by April 7, according to the State Department. The largest award was \$7.62 million paid to Pfizer Inc., the pharmaceutical company. E.R. Squibb & Sons Inc. got \$7.35 million. A Pfizer spokesman said that his company has not been asked to resume business in Iran, but he pointed out that pharmaceutical products are readily available to Iran from suppliers in Eastern Europe.

A \$1-billion fund in a Netherlands bank was set up initially by Iran to cover outstanding claims. That amount could easily be wiped out by the pending claims, but the fund is being replenished by interest accumulating on the account. The Iranians are required to make additional funds available if the balance falls below \$500 million, or face seizure of Iranian assets by companies trying to collect outstanding awards, according to attorneys involved in the claims process.

Amoco's Claim Is Largest

Bank claims are being handled through a different process and paid out of two other funds.

The largest outstanding claim, filed by Standard Oil Co. of Indiana (Amoco), is for \$1.4 billion, more than there is in the escrow fund. The claim is for property seized by Iran. Amoco's 30-percent share of a petrochemical company operated with Iran's national petrochemical company and 50 percent of the production in four oil fields discovered by Amoco and operated jointly with the Iranian National Oil Co.

Amoco's claim asserts that the assets were "effectively expropriated" on Aug. 1, 1979. Amoco personnel left at the end of 1978, when the revolutionary ferment that brought down the shah was at its height, and the Iranians refused to let them come back when production resumed in about April 1979, according to Amoco.

In August 1980, Amoco was informed that its contracts had been "nullified" by a special Iranian government committee, according to Bruce Clagett, an attorney representing Amoco.

Another major claim, for \$118 million, was filed by E.L. du Pont de Nemours & Co. Du Pont alleged "breaches of contract, expropriation of Du Pont's equity interest in, and mismanagement of" a joint-venture synthetic fiber plant.

For the most part, attorneys involved in cases before the tribunal say the system is functioning smoothly, although attorneys for American claimants say that Iran often attempts to delay the proceedings and substitutes revolutionary rhetoric for legal argument.

A Massive Undertaking

"My own perception as a lawyer involved in the process is it's working rather well. It's a massive undertaking," said Thomas Shack, an attorney who represents Iran in the United States. The process is complicated by differences of language and culture, he said.

Briefs, for example, are filed both in English and in Persian, which is read from right to left, so that page and line references are not even the same in both texts.

The orderly playing out of the settlement process and the apparent new pragmatic approach

by the Iranians do not mean that American corporations are eager to enter into new business relationships with Iran, even cash sales. Some have refused outright to respond to Iranian requests to supply oil field equipment, medical instruments and aircraft parts, possibly out of fear of antagonizing Arab customers who do not want to see an Iranian victory in its long war with Iraq.

George Barrington, vice president for international marketing at the Beech Aircraft division of Raytheon, said that Beech has had "some inquiries" about supplying spare parts for military trainers but "we just don't respond. The account is open but we don't service it. We're not interested."

But the U.S. Chamber of Commerce has kept intact the U.S.-Iran Business Council organization that it set up in the heyday of Iran-U.S. trade. "It isn't doing anything, but every time

we proposed getting rid of it, our members said no, keep it going. They're looking ahead," a chamber official said.

A Few Carpets

At the height of U.S.-Iranian friendship, in 1976, Henry A. Kissinger, who was then secretary of state, signed an agreement with the shah's government that set trade volume between the two countries at a projected \$40 billion over five years, not counting military sales. Despite the latest contacts, it will be clearly many years, if ever, before figures like that are approached again.

Current U.S. imports from Iran are negligible — a few carpets and little else. The true volume of U.S. exports is not known, partly because many are handled through European agents and partly because there are no special restrictions on trade with Iran, and many transactions re-

quire no export license. Boeing, for example, says it is making no direct sales of parts to Iran's national airline, but the airline is obtaining parts from other sources.

In the three months from Nov. 1 to Jan. 31, the Commerce Department approved 13 requests by U.S. exporters for licenses to export restricted goods to Iran, either directly or by re-export from Europe.

The total listed value was \$2.2 million. The largest transaction was for \$1 million worth of computer equipment to be re-exported from France. The smallest was for \$33 worth of quartz crystals.

The Commerce Department rejected two applications by unnamed U.S. companies for permission to ship \$38 million worth of military vehicles to Iran, on the ground that it would contribute to instability in the Middle East.

For Superpowers, Gulf Region Drops in Priority

By Jim Hoagland

WASHINGTON — After more than two and a half years of fighting between Iran and Iraq, the most important thing about the war is what has not happened.

Only a few years ago, the Gulf was widely viewed as the world's most explosive region, where a strategically placed superpower could block a major part of global oil exports and perhaps lead to a Soviet-U.S. showdown.

President Jimmy Carter gave his name to a doctrine that said the United States would defend its interests in the Gulf, by force if necessary. The Russians replied with warnings that they would match American military intervention, and cited a 1921 treaty with Iran.

But faced with a genuine crisis — the war — the two superpowers have been reduced to policies falling somewhere between benign neglect and impotence.

The war has not significantly disrupted world oil trade. It has not dragged the Russians or Americans into significantly deeper involvement in the region. It has not overtly destabilized the neighboring, fragile states in the Gulf by spreading the brand of Islamic fundamentalism championed by Iran's ayatollahs.

Saddam Hussein's Gamble

Initiated as an overconfident gamble by President Saddam Hussein of Iraq, who had been assured by exiled Iranian generals and politicians that Ayatollah Ruhollah Khomeini's government and its army would quickly crumble, the war has become a contest between two highly individualized regimes that apparently will not stop fighting until one leader or the other leaves the scene.

Normal military, economic and diplomatic pressures that might bring an end to such a war are dissipated by the fanatic zeal that each leader has been able to impose on his nation. The mutual determination to outlast the other has helped reduce the ability of any outside power to work to end the fighting.

But it is also clear that the Kremlin and the White House have separately, but perhaps in parallel, reduced the priority they had assigned to the Gulf three years ago. The visions of world-shaking turmoil created by the fall of Shah Mohammed Reza Pahlavi of Iran, the subsequent outburst of Islamic revolutionary fervor and the Soviet presence in Afghanistan have palpably subsided.

Of course, one other thing has not happened — the war has not ended. The dangers of the conflict spilling over have not disappeared. Iran continues to press its offensive inside Iraq, and an Iranian breakthrough would probably create great concern among conservative U.S. allies like Saudi Arabia and Jordan. That, in turn, could bring more American involvement and an unpredictable Soviet response.

Search for Implications

A search for some of the principal implications of the Gulf war for superpower rivalry was started last month at Ditchley Park in England at a conference of experts who work both on the Middle East and on Soviet-American relations. The experts reached no sweeping conclusions, but discussion did suggest some lessons.

In limited ways, superpower interests have been affected by the war, particularly through a net loss of Soviet influence in the short term in both Iran and Iraq. Both have rejected clumsy Soviet efforts to keep a foot in each camp.

But the verbal thunderbolts that Mr. Carter and Leonid I. Brezhnev hurled at each other over the Gulf three years ago have stopped echoing. The superpowers are now concentrating their efforts in a battle for public opinion and military advantage in Europe. The Kremlin, in particular, appears to have shifted its priority and to be wary of expending too much energy and attention on other areas when the stakes in the battle over missile deployment in Europe are so large.

For the United States, the oil gulf has enabled the Reagan administration to stand by relatively calmly as the two Gulf nations ravage each other. Strategic concerns have returned, at

least temporarily, to the pre-1973 norm; the chief U.S. interest is that oil keep flowing to its NATO allies and Japan, rather than directly to the American economy.

Until recently, a tacit "balance of terror" seems to have been operating along the Gulf to permit a certain level of shipping to continue. While Iraq has attacked some Iranian oil facilities, it has not conducted the kind of intensive interdiction effort that qualified experts feel it could undertake, and tankers carrying Iranian oil continue to move through the Gulf.

Oil Fuels War Machine

And after an air raid into Kuwait that seemed intended to establish a point about mutual vulnerability, Iran has not struck at the Kuwaiti and Saudi oil fields that produce the tens of billions of dollars that have underwritten the Iraqi war effort.

Like the threat to international oil supplies, the threat of rapidly spreading Khomeinism has also declined as the war has worn on.

The chaos, intolerance and repression that have accompanied the founding of the Islamic Republic in Iran have significantly lessened the popular appeal that the Iranian brand of Moslem fundamentalism might have had for Arab Muslims across the Middle East. Arab participants at the Ditchley conference repeatedly challenged what they saw as an overemphasis by their Western colleagues on the prospects for the war spreading Islamic fundamentalism throughout the region.

If the war created theoretical opportunities for the Russians they have been unable to exploit them. An initial Soviet tilt in favor of Iran, evidenced by arms shipments to Tehran through Soviet client-states, apparently did not win over the fiercely anti-communist mullahs, who were deeply upset by the occupation of Afghanistan.

In recent months, after attempting to keep footholds in both camps, the Russians have resumed arms supplies to Iraq and diminished their involvement in Iran. Ayatollah Kho-

meini's government quickly responded with a crackdown on the communist Tudeh Party inside Iran and resumed bitter polemics against Moscow.

In one view that has currency inside the Soviet leadership, the war has been costly politically for the Russians, with both Iran and Iraq moving steadily to the right in domestic politics during the war.

There are growing signs that Soviet disappointment with Tehran has led Moscow to turn its attention to pushing for renewed influence in Baghdad and a Syrian-Iraqi rapprochement that would give the Russians a way back into the Middle East. Success in that area would signal a decisive shift in favor of Iraq in the war.

Weapons From Superpowers

If the superpowers have exercised relative restraint during the war, there is little question that their willingness to pour huge amounts of sophisticated weaponry into both countries in the 1970s provided the stockpile that has kept the battle going for so long.

And a tier of intermediate arms suppliers operating through the black market and existing procurement networks outside of direct superpower control has emerged, which may set patterns for future regional wars.

Emergency French shipments of arms saved Iraq from defeat last fall in the most intensive Iranian push. North Korea and Czechoslovakia have profited handsomely from their sales, and Iran was able to call on the military procurement network that had existed between the shah and Israel to get small amounts of war equipment at crucial moments.

Both Washington and Moscow rationalized their willingness to sell the most advanced conventional weapons in their inventories to Tehran and Baghdad on the ground that the sales would enable them to maintain influence in that potentially explosive region. Now that the explosion has come, the influence has vanished.

In China, 'Getting Rich Is Glorious': Farmers Prosper Under New Policies

By Christopher S. Wren

NEW YORK TIMES SERVICE
CANTON, China — Liu Si is rich. He earned 17,500 yuan, more than \$8,800, last year and expects to do even better this year.

Mr. Liu, 51, lives on Dali Commune at the northern fringe of the Pearl River delta in Guangdong province. He made his money, which is equivalent to a six-figure income in the United States, by raising 7,500 plump ducks for export to the dining tables of Hong Kong.

Last year, he built another two-story house and gave one of his daughters a generous wedding dowry. He bought three more bicycles and a hand tractor to replace the water buffalo that ploughed his rice paddies. He did not get a television set, Mr. Liu told a visitor, "because I can't afford the time to watch it." He added, "I have to work until midnight every night."

Nanhai county gave Mr. Liu a colorful certificate proclaiming, "Get rich through hard work — getting rich is glorious." He said his neighbors, 10 of whom now raise ducks too, did not mind. "No one was jealous of me because everyone can do it," he said. "The policy allows it."

Mr. Liu is a conspicuous success story of the new agricultural policies set in motion by the Chinese leader Deng Xiaoping a little more than four years ago. They have caught on fastest in fertile farmland such as the Pearl River delta, a lush alluvial plain laced with rivers and canals south of Canton. But the pragmatic notion of letting farmers who work harder earn more has wrought an economic and social transformation around the countryside, with the attendant problems of success.

The per-capita cash income for Chinese farmers has risen to \$100 a year, nearly three times their total income in 1978, before the new policies were introduced. One in three farmers then earned less than \$50 a year. Fewer than one in 20 now subsists below this level of poverty.

Mr. Deng's policies raised crop yields and living standards dramatically by doing little more than unfettering the industriousness of the Chinese farmer. The annual growth in value of China's agricultural output has jumped from an average growth of 3.5 percent before the new policies to 7 percent last year. The 1982 record grain harvest exceeded 344 million tons.

The Old Ways Under Mao

The ultimate impact of the dynamic force unleashed by Mr. Deng has yet to be felt, but the enthusiasm among 800 million farmers may be his best insurance against a comeback by the leftist disciples of Mao.

"Nobody would allow themselves to be returned to the former policies," mused Huang Baoyang, the deputy director of the Lelin Commune in the Pearl River delta. "That won't happen here."

Under Mao, farmers were rewarded with work points, and outside activities were usually prohibited. Families like Mr. Liu's that raised more than four ducks or chickens at Dali Commune during the Cultural Revolution were denounced as "capitalist roaders."

The slogan was to "take grain as the key link" and give up more suitable local crops.

"Our peasants used to joke, 'take a stick as the key link,' because it meant nothing," recalled Chai Yanlin, the deputy director of Dali Commune's management committee. Yet production sagged so badly that a report in 1977 revealed that 100 million farmers lacked enough grain.

Agricultural policy began to change after a crucial Communist Party plenary session that

signaled Mr. Deng's rise in December 1978. The government raised its low prices for produce and agreed to pay 50 percent more for what the farmers delivered above their quotas. Village markets, once banned, were revived and livestock raising and other sidelines were encouraged.

Those measures became the harbingers of two major changes that are transforming the face of Chinese agriculture. The first was the seven zhi, or responsibility system, in which farmers sign a contract to deliver part of their crop to the state; they can keep whatever they grow above the quota.

That applied initially to production teams but has spread down to individual families who have reverted to tenant farming, with the state as landlord. More than 90 percent of China's production brigades have scrapped collective labor for the new system.

Some farmers now concentrate on what they can do best. Ten percent of China's 176 million

The pragmatic notion of letting farmers who work harder earn more has wrought an economic and social transformation around the countryside, with the attendant problems of success.

rural households devote all or most of their time, like Liu Si, to specialized farming. In Zhejiang province and elsewhere, some farmers have started to contract out complicated tasks, such as irrigation and seed propagation, to local service companies and simpler chores, such as tractor maintenance, to other farmers.

The other change is the dismantling of the people's communes, which Mao created 25 years ago. A provision of the new constitution adopted in December strips the 55,000 communes of administrative authority and leaves only their economic functions. Political power reverts to the xiang, or traditional rural township, which was abolished as an entity after the farmers were collectivized.

The Ministry of Civil Affairs reported early this year that the townships had been revived selectively in 14 provinces and the Beijing municipality. In three counties of Sichuan province, the production brigades have also reverted to villages.

The gutting of Mao's proudest achievement has yet to be carried out nationwide, and there is confusion at the grass roots about how and when it will be done. "Here it hasn't happened yet," said Mr. Chai at the Dali Commune. "Maybe we'll change to a township, but I don't know."

The commune appears likely to wither away, if only because the leadership in Beijing thinks it didn't work. "Aside from leftist policies," explained China Youth newspaper, "the system of combining the work of governments and communes under one organ was responsible for irresponsible leadership, egalitarianism and indiscriminate requisition of labor, materials and funds, which obstructed economic development during the last 20 years."

Farmers will now be permitted to buy their own shares in the local supply and marketing cooperatives that handle their crops and provide manufactured goods. The policy, which has been tested in more than 600 counties, will eventually extend to all 35,000 rural cooperatives across China, the Xinhua news agency reported.

The new policies have galvanized other activity in the countryside, including the sideline enterprises that produce basic goods from bricks and bottles to cheap clothing. Such factories now employ 30 million farmers, one-tenth of the rural work force, and contribute nearly 40 percent of the total value of farm output.

Persuasion From Beijing

Beijing has had some difficulty persuading farmers who were treated harshly during the Cultural Revolution to take advantage of the new freedoms.

"At the beginning of this new policy, they didn't trust it totally, because they feared they would suffer through the whole experience again," Mr. Huang said. "They thought they would be branded as capitalist roaders. But since 1980, the new policy has brought prosperity, and fewer people now distrust it."

Yet there are critics of the agricultural policies, including ideological leftists who view the return to individual enterprise as a betrayal of Marxism and local party and government functionaries who object to seeing their authority undercut.

The extent of resistance is not evident, but the press periodically reports cases of foot-dragging or outright opposition to change. In Hunan province, officials confiscated trucks and tractors that some farmers had bought to carry produce to market, arguing that this sideline was capitalist.

The Ministry of Public Security in Beijing put out a nationwide bulletin this month ordering police to protect prosperous farmers from blackmail, extortion and outright robbery. The bulletin was issued after Lu Chumin, a farmer in Hubei province, complained that commune officials and neighbors were helping themselves to his hard-earned fertilizer, building material and even four pigs.

A young farmer named Wang Qianjing in Anhui province was detained 26 days for intercession because his legitimate sideline activities looked too profitable. Another farmer in Hubei province, Zhang Xiaozhu, was publicly censured for having earned nearly \$1,200 from gathering medicinal herbs and other work. They were cleared after higher authorities intervened.

"Whenever events like this occur, the implementation of the party's policies toward rural areas will be obstructed, ideological confusion will result among peasants and their initiative in production will be hurt," the People's Daily warned last spring.

The Caution Remains

Despite official assurances that it is proper to make money, some farmers remain cautious. The People's Daily mentioned cases of farmers underreporting their crop yields for fear that officials would raise the quota taken by the state.

Deng Fenglou, a farmer in Liaoning province, told a newspaper that "when asked how many sheep I have, I never tell the truth, not wanting to be the tall tree that catches all the wind."

Some officials insist they have no complaints. "I find it much easier," said Liang En, a pro-



A farmer sells fresh vegetables in Canton. The private sale of some crops is allowed under liberalized regulations.

duction team leader at the Dali Commune. "Before, peasants didn't take care of equipment and facilities because it was publicly owned. They didn't have the sense of responsibility and it caused a lot of waste and damage. Now I don't have to shout at them to get out and work."

The government must decide what to do with commune officials who are made superfluous by the changes. The smarter ones can stake out a supervisory role in new production cooperatives. But a report by a study group of the State Agricultural Commission found that others were too uneducated or incompetent to adjust to new duties. Some functionaries are being transferred to local birth control and welfare programs while others are left with fewer responsibilities.

Rural prosperity has brought other problems. The barter economy that existed only a few years ago has given way to a bustling commerce at 44,000 farmer markets across China. A recent survey disclosed that 60 percent of the nation's currency was now circulating in the countryside.

Stores have been unable to meet the greater demand for products, ranging from bicycles to bedspreads and kerosene. The farmers have also become fussier about quality in their purchases. One indicator of the new consumerism: 90 percent of the nine million television sets in rural China have been purchased since the new agricultural policy went into effect.

The shift to individual machinery has been so pronounced that a major tractor factory in Anhui's provincial capital, Hefei, had to close down because its tractors were too large. More than 50,000 hand tractors are now privately owned, but so are several hundred trucks.

Not Just Farming Needs

But the farmers also want better services. Three farmers in Guangdong province, in a letter to a biweekly agricultural newspaper earlier this year, listed needs that included not only more lightweight farm machinery and seeds but also better postal service and television repairmen.

The responsibility system has undermined

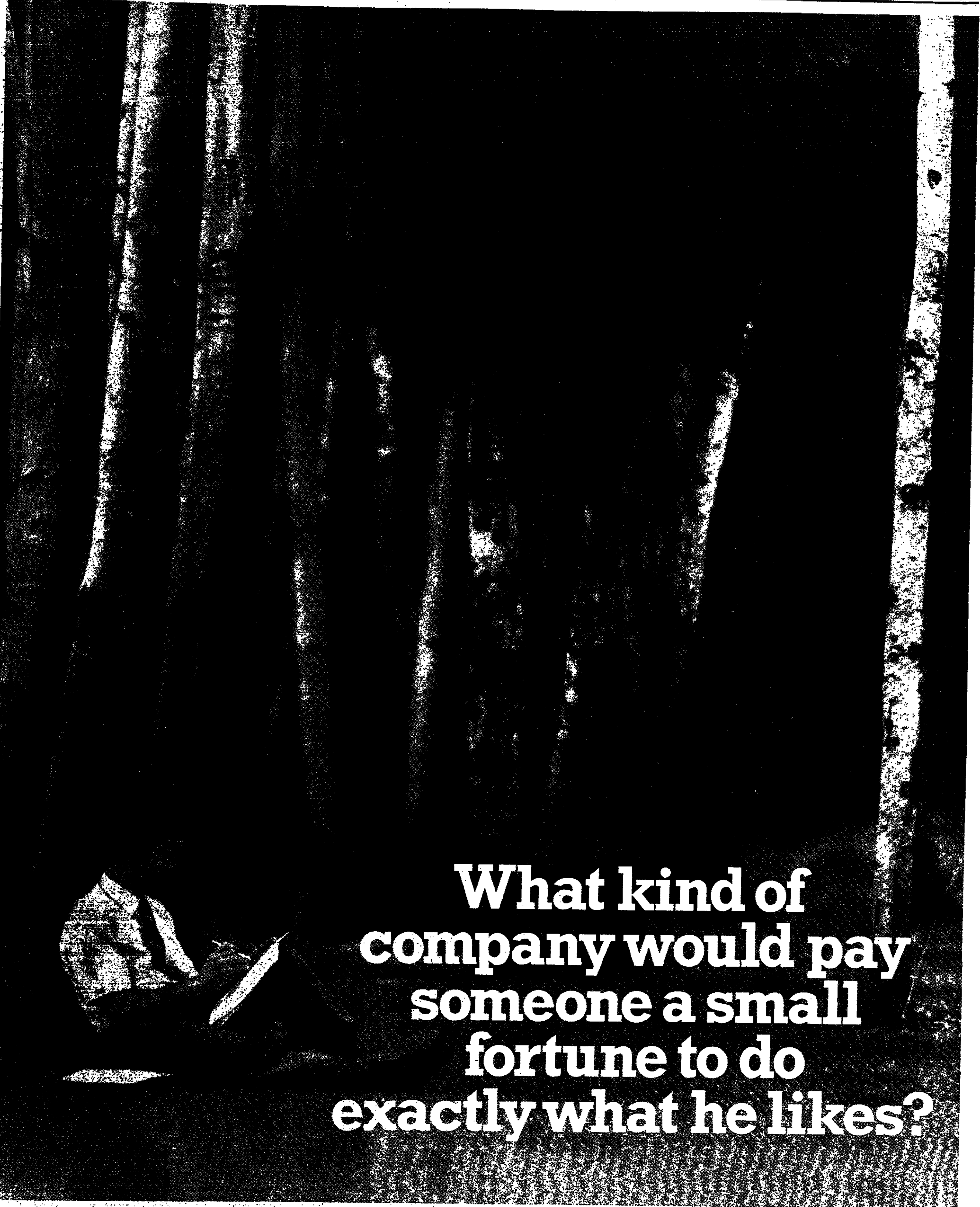
China's stringent birth control policies, which officially permit only one child per family. Increasingly, farmers may have another child if the first is a girl, on the theory that they need a son.

"It's only natural for peasants to have more children to help them with the work," conceded an official in Nanhai county. "We advocate one child and allow two children according to certain conditions, but we never allow a third child."

The Chinese armed forces has found it harder to lure rural volunteers because young men can earn money staying home. The People's Daily has proposed special treatment for farm families with soldiers on active duty.

Some farmers have kept their children out of school to tend poultry and other livestock.

"When peasants are given ways to make money, they discontinue their children's education and employ them in family sideline production," complained a letter in China Daily. Its writers urged that both the party and parents take the problem seriously and put the truant back in school.



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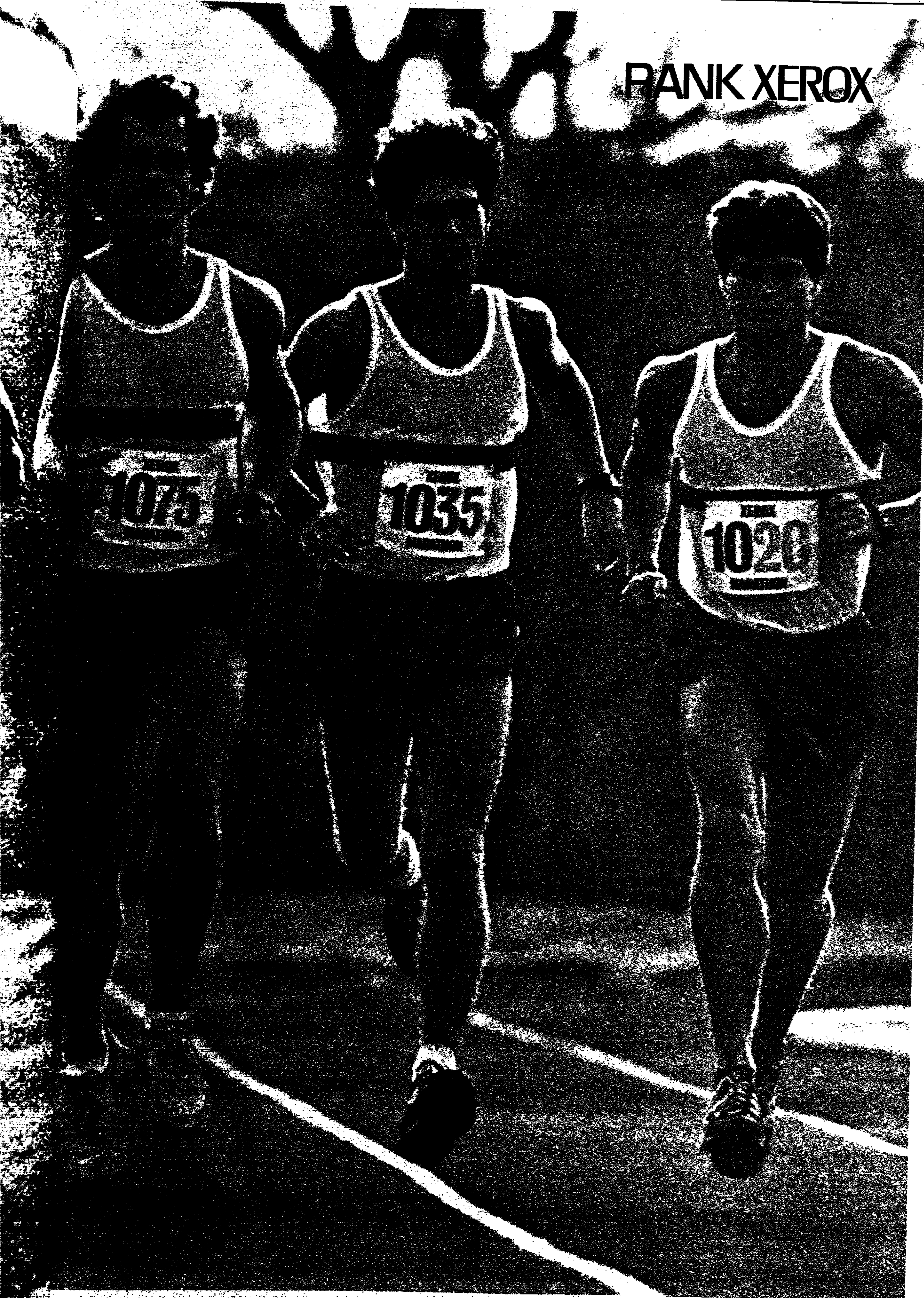
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9 thorny questions treasurers are asking Morgan about long-term financing alternatives



Morgan banking officers and Morgan Guaranty Ltd managers meet in London. From left: Jean-Francois Buisseret and Michael Enthoven, MGL; Andrew Cartwright, Banking, London; Claus Löwe, MGL; Gonzalo de las Heras, general manager, Madrid; William Holding, head, European Corporate Banking, New York.

1. Are there economic benefits in denominating an inter-company loan in a third-country currency?
2. Is there a cost-effective way to prepay a foreign currency liability?
3. Does it make sense to be a lessee if we pay taxes?
4. At what point does project financing favorably affect the risk/reward ratio of an investment opportunity?
5. How can we efficiently reduce the cost of our outstanding public debt?
6. Can we arrange long-term fixed-rate financing in a foreign currency if the capital market for the currency isn't accessible on reasonable terms?
7. How can we most efficiently use interest rate swaps to change floating-rate debt to a fixed-rate obligation? Or fixed to floating?
8. How can we improve the return on our investment portfolio within our liquidity, credit quality, and foreign exchange exposure constraints?
9. When does a private placement provide terms which are competitive with the public market?

Corporate treasurers find that Morgan has the answers to long-term financing questions like these. They know

Morgan bankers add value to a relationship by exploring all the alternative solutions to complex financing problems—both traditional structures and new ones responsive to today's volatile markets.

How Morgan responds

Our answer to Question 3, for example, may be a cross-border lease which dramatically reduces the effective cost of financing the asset while permitting you to retain the economic risks and rewards of ownership. Morgan can act as both agent and advisor. In the last year alone we arranged a billion dollars of such leases.

Or take Question 5. For many companies forward bond repurchase programs can lock-in existing discounts on the bond prices or currency exchange rates—or allow them to capitalize on a positively-sloped yield curve—without incremental outlays of funds.

The answer to Question 6, for several clients, was a bond issue plus a currency swap. The issuer raised funds in one currency and effectively repaid them in another through a long-dated forward exchange contract. We thus generated financing in the client's desired currency on more advantageous terms than otherwise possible.

As to Question 7, you'll find we provide a fully integrated proposal—arranging the floating-rate financing or

backstop facility if necessary, acting as principal in the swap, and managing the related bond issue in the international market. And you'll find that our approach can not only reduce the costs and risks of such a transaction but also simplify its implementation.

Can Morgan help you?

Morgan has the resources to solve any type of financing problem for a client, as principal or agent. The right solution for you can involve our role as lender, market-maker, or underwriter, or as agent or advisor on private placements, leasing, exchange and interest rate exposure management, loan syndications. And our Euromarket underwriting subsidiary in London, Morgan Guaranty Ltd, is one of the fastest growing lead managers in the Eurobond market.

By calling on Morgan's extensive knowledge of the capital markets you may be able to lower your long-term financing costs significantly.

Ask us your tough questions

What financing questions are most challenging to your company? Ask them of your Morgan banker in any of our European offices. Or write or call Fabian K. vom Hofe, Vice Chairman, Morgan Guaranty Ltd, 30 Throgmorton Street, London EC2N 2NT. Telephone (01) 600-7545. Member FIC.

The Morgan Bank

THURSDAY, APRIL 14, 1983

WALL STREET WATCH

By EDWARD ROHRBACH

Continued Computer Explosion Presents Booming Opportunity

Computer performance will increase a "thousand-fold" this decade, creating rapidly expanding investment opportunities on Wall Street, according to William J. Perry, managing director research at Hambrecht & Quist, San Francisco investment bankers.

Mr. Perry, keynote speaker at this week's American Electronics Association conference in Monte Carlo, said most of this "second computer revolution" will come about as speed and capability accelerate while costs continue to plummet.

"Today's \$10,000 computer will cost \$100 in 10 years," he said. "There also should be a tenfold improvement over the decade in software, to more efficiently use computers' burgeoning computational power."

But Mr. Perry added, "Forecasting these numbers is the easy part, the social consequences of this explosion is what's hard to predict."

But for sure, he said, increasingly powerful and complex computers will play a bigger and bigger role in everyday life. In the home, they will become cheap and as common as television sets, he said, which at \$500 each translates into a \$25 billion market.

"But high fidelity might be a better analogy," he explained, "because software for computers is what records and tape cassettes are to a stereo — a secondary market that becomes just as important."

Another speaker, William R. Beckman, telecommunications analyst for Kidder Peabody, said that rapid technological change will have a heavy impact on the field, but not nearly as much as the fundamental change caused by government deregulation of the communications industry.

Breakup of AT&T's regulated monopoly has created "the emergence of many companies which represent significant investment opportunities" in telecommunications, he said.

Noting that the long-distance transmission sector has mushroomed into a \$1.5 billion business from scratch in the mid-1970s, he said MCI Communications' big lead over the pack is expected to continue. Cable television equipment suppliers, he said, appear to have stumbled after fast growth and now "must be in a good niche" to continue to advance.

The \$1 billion data communications segment of telecommunications is enjoying 25 to 30 percent expansion, he said, and picked Paradyne as the "key" company. M/A-Com, Harris and California Microwave are the "players" in business communications, he commented.

Rolm and Mitel lead the competitive subscriber equipment segment, he said, where there are both "big opportunities and risks." Northern Telecom is best positioned to win new business in the large telephone switching equipment business, he judged, with Andrew Corp. and Avnet as the best bets in the fast-growing phone transmission field.

"As stocks, Kidder Peabody is cautious about buying telecommunications issues until there's visibility of better earnings," Mr. Beckman said. "Hopefully, orders will pick up this summer."

An Immediate Bonanza

Viewing deregulation as more of an immediate bonanza to investors in telecommunications stocks is Jon Gruber, partner in charge of the technology group at Montgomery Securities in San Francisco.

Calling it the most exciting investment area, his recommendations are Northern Telecom, Timesplex, Rolm, MCI and M/A-Com.

Defense electronics is Mr. Gruber's second favorite high-technology group, with Lockheed, Watkins-Johnson, Sanders Associates and Argonne among the top picks. Third he places manufacturers of storage devices for personal and small business computers. Named were Seagate Technology, Tandem and National Microelectronics. Among recommendations in microcomputers, the next highest group, he likes Apple Computer, Corvus Systems, Convergent Technology and Fortune Systems.

Webcor Electronics, Dymac and Comdial are top choices in the residential phone field. As for lasers, he picks Coherent and Spectra-Physics. Semiconductor stocks have gone up a lot, he said, but he thinks the economy picks up. Here he likes Motorola, Micromedex and Texas Instruments.

Aharon Orshansky, Paris-based senior high-technology analyst for A.G. Becker, sees the group poised for another stock-market advance, including those companies hit by the recession whose shares have lagged in the bull market.

High-tech companies that have sailed along without earnings interruptions and whose stock has soared are not fully priced, he asserted. "The faster pace of technological change will enable them to carry even higher P/E ratios."

In this category he recommends Cullinet, a software company sporting a 50 percent growth rate, and Tandem, maker of small disc drives, which still represents an excellent buying opportunity. Other favorites are Verbatim, an "established winner among disc manufacturers," and Xerox, a "newcomer to the field" with the "top track record" in microfilm.

In the laggard group, Mr. Orshansky said that two suppliers of magnetic heads, National Microelectronics and Applied Magnetics, are "on the verge of earnings breakthroughs." He also likes Tandem, the maker of full-size computers, whose previous high growth has slipped lately, and Peradyn, which he said now enjoys the fastest growing backlog in the semiconductor test area.

International Herald Tribune

CURRENCY RATES

Interbank exchange rates for April 13, excluding bank service charges.

	Amsterdam	Berlin	Brussels	Frankfurt	London	Paris	Rome	Switzerland	Tokyo
\$/DM	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36
DM/\$	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
DM/£	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93
£/\$	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
DM/¥	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5
¥/\$	160.4	160.4	160.4	160.4	160.4	160.4	160.4	160.4	160.4

	DM/\$	DM/£	DM/¥	£/\$	£/¥	¥/\$
1.00	0.42	0.52	160.4	0.52	160.4	160.4
1.00	0.42	0.52	160.4	0.52	160.4	160.4
1.00	0.42	0.52	160.4	0.52	160.4	160.4

Source: Reuters. 1.00 = 100 cents. (a) Commercial bank (b) American bank to buy one unit of foreign currency. (c) Units of 100 (d) Units of 1,000

INTEREST RATES

	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year
U.S. Govt.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
U.S. Corp.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
U.S. Mun.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
U.S. Int.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

Key Money Rates

	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year
U.S. Govt.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
U.S. Corp.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
U.S. Mun.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
U.S. Int.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year
U.S. Govt.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
U.S. Corp.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
U.S. Mun.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
U.S. Int.	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

Source: Commercial Bank of Tokyo, London, New York, San Francisco, Tokyo, and other major banks. U.S. dollar per unit.

InterNorth Makes Bid For Belco

Compiled by Our Staff From Dispatches

NEW YORK — InterNorth Inc., the Omaha, Nebraska-based natural gas transmission and distribution company, has agreed to acquire Belco Petroleum, a New York-based international oil and gas producer, for about \$735 million.

The announcement of a definitive merger agreement was made by both companies.

InterNorth said it would start a tender offer Thursday for up to 10.2 million shares of Belco's common stock for \$31.50 a share, or about \$430 million.

In addition, assuming shareholder approval, each of the 14.1 million Belco shares not purchased in the tender offer would be exchanged for a share of InterNorth preferred stock.

InterNorth spokesman Dick Lyons said that portion of the transaction would bring the total value to about \$735 million.

The companies said the major shareholders of Belco, representing 38 percent, had agreed to vote for the merger and not to dispose of their shares pending the merger.

InterNorth said the holder of an additional 5 percent of Belco stock has agreed to sell her shares to InterNorth for promissory notes.

InterNorth is primarily a natural gas transmission and distribution company, along with some liquid fuels as propane and butane, which are traded internationally.

Mr. Lyons said. In addition, the company has interests in domestic oil and gas exploration.

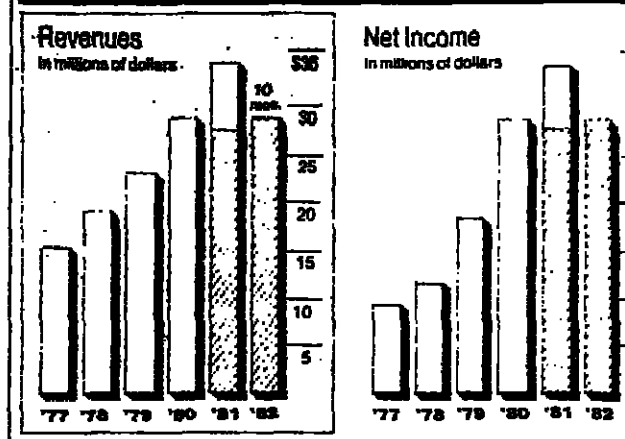
Belco is an oil and gas producer in the United States, primarily natural gas from major concentrations in Wyoming and Utah. In addition it produces oil from deep sea operations off Peru, and produces oil and gas in Canada.

InterNorth said the Belco merger allows it to add significant oil reserves with minimal near term impact on earnings, adding that it is looking forward to intensifying exploration of the acreage that Belco operates in Peru.

Belco had \$344 million in revenue last year and a net income of \$104 million, with total assets of \$871.3 million. InterNorth last year reported \$4.2 billion in revenue from continuing operations, compared with \$3.6 billion in 1981. Net income in 1982 was \$181 million, compared with \$254 million the year before.

Under terms of the definitive agreement, Belco would become a subsidiary of InterNorth.

Value Line: The Appraiser of Stocks Appraised



Value Line Faces Rating of Investors

By Daniel F. Cuff

New York Times Service

NEW YORK — For years, Value Line has been judging the fortunes of companies. Now the company that operates the big investment advisory service will be coming in for some judgments of its own from analysts and investors.

For Arnold E. Bernhard, the 81-year-old founder, has decided to sell 19 percent of his company to the public.

A preliminary prospectus issued last week outlines plans for a public offering of 1.9 million shares of the common stock of Value Line Inc.

The Value Line Investment Survey is a popular and respected advisory service that thousands of readers pore over weekly. A page describing a company is a hodgepodge of charts and graphs and boxes filled with small print and figures describing such factors as "business" and "strategy."

There is also a frank review of the company's current prospects, usually starting with one succinct sentence — something like "XYZ Corp. hasn't come out of the cellar yet" or "1982 was a year to forget."

Despite a price of \$365 a year, 111,400 subscriptions have been sold to the weekly service. Should the economy improve and the stock market stay active, it is expected to attract even more subscribers.

All the shares are being sold by Arnold Bernhard & Co., which is the parent of the Value Line Investment Survey and other activities, including six Value Line mutual funds. Lazard Freres & Co. is the lead underwriter for the stock offering.

Value Line Inc. would be the successor to substantially all the operations of Arnold Bernhard & Co. After the offering, Mr. Bernhard would own 81 percent of Value Line and be able to elect all directors and make all the decisions.

Value Line would receive none of the proceeds from the sale of the shares, which the prospectus said would be offered in the range of \$15 to \$18 a share.

At that range, the sale would net Bernhard \$28.5 million to \$34.2 million, and the remaining 81 percent holding would have a paper value of \$121.5 million to \$145.8 million.

"It's exciting to see an investment advisory service go public," said Norman G. Fosback, a Fort Lauderdale, Florida, publisher of the newsletter New Issues. "But the price being asked for this one is very rich indeed."



Arnold E. Bernhard

Mr. Bernhard and others at the company would not comment on the offering, citing regulations of the Securities and Exchange Commission while the offering is in registration.

"Speaking from experience," Mr. Fosback said, "I can attest that the investment advisory business is highly cyclical and, accordingly, I think it's deserving of a lower price multiple." He said a price in the low teens "would be more reasonable."

The industry, he said, follows the fortunes of the stock market much like the brokerage industry, and there can be lean times when investors desert the market.

Another negative point, Mr. Fosback said, is that "all of the proceeds will accrue to Bernhard." He added: "I'd much rather see money invested in the business itself rather than the pockets of stockholders."

Perrin H. Long Jr., an analyst at Lipper Analytical Services, said the Bernhard management had "done an extremely good job over the years."

"One could assume," he added, "that the service could experience some favorable growth as the equity markets improve along with the economy."

In the 10 months ended Feb. 28, the prospectus said, Arnold Bernhard & Co. earned \$5.8 million, up from \$5.4 million in the same period a year earlier. Per share earnings would be 58 cents and 54 cents, respectively, assuming that 10 million shares were issued and outstanding, according to the prospectus. Revenues were \$28.4 million, up from \$27.3 million.

Value Line Investment Survey, which provides the bulk of the company's revenues, reports on 1,700 common stocks and ranks them for "timeliness" (which stocks will perform best) and "safety" (whether they are stable or risky).

The system is based on a correlation between long-term movements in a company's stock price and current annual earnings relative to the other 1,700 stocks, all figured by computers.

Mr. Bernhard started his company in the depths of the Depression in 1931 after he lost his job at Moody's Investors Service.

In the late 1970s, several suitors sought to buy the company, but it was said that every time Mr. Bernhard received a firm offer, the price would go up, the point being that Mr. Bernhard was having a hard time parting with his baby.

N.Y. Stock Prices Soar; Dow Average Surpasses Record

Compiled by Our Staff From Dispatches

NEW YORK — A combination of lower interest rates and improved automobile sales drove prices on the New York Stock Exchange into new territory Wednesday in heavy trading.

"There's an enormous amount of money available for the stock market despite the seven-month rally and institutions got tired of waiting for a major pullback," was how Michael Metz, Oppenheimer & Co. vice president, explained the rally.

The Dow Jones industrial average, which gained 3.49 points Tuesday, closed up 11.32 at 1,156.64, putting it well above its previous all-time closing high of 1,145.90 set March 24.

Advances led declines by a two-to-one margin, and NYSE volume was 100.5 million shares, up from the 79.9 million traded Tuesday.

Stock prices were up nearly 15 points to 1160.31 early in Wednesday's session, but profit-taking at the start of the final hour of trading nearly halved the gain.

Bargain hunters, however, re-entered the fray in the final 30 minutes of trading and the market recovered some of the lost ground.

Analysts said that while expectations of lower interest rates and an economic recovery are the underlying reasons for the recent market rally, technical factors also came into play.

Alfred Goldman, a market analyst with St. Louis-based A.G. Edwards & Sons, said at times Wednesday there appeared to be almost panic buying by investors with short positions.

But Robert H. Stovall, director of investment policy of Dean Witter Reynolds, commented that the market was not producing the high volume levels and the number of new yearly highs needed to "persuade professional investors that the present advance has much further to go."

Mr. Stovall said the market's leadership had narrowed to a group of institutional favorites among the growth glamour stocks.

Investors were encouraged by Federal Reserve Chairman Paul Volcker's statement Tuesday that he thought interest rates were too high, which some interpreted as urging banks to lower their charges.

Federal funds rates, which climbed as high as 10 1/2 percent two weeks ago, continued to fall, hitting 8 1/2 percent Wednesday.

The steady decline in these important charges eased investor fears of higher rates.

To judge from the increase in J.C. Penney and Sears Roebuck stocks Tuesday, some investors were encouraged March retail sales rose 0.3 percent following a revised 1.2 percent February decline.

On the NYSE floor, Chrysler was the most active issue, up 1 1/2 to 19 1/2 on nearly 3 million shares. Chrysler recently sold 16 million shares to raise fresh cash.

American Motors, which Tuesday successfully offered 10 million shares, was up 1/2 to 6 1/2. AMC's sales nearly doubled in the early April period.

Ford Motor Co. was up 2 to 43 1/2. General Motors, which reported sharply higher sales and said it was recalling 16,000 workers at four plants, was up 2 to 61 1/2.

Exxon was up 1/2 to 32 1/2. Other oil issues, which have been market leaders the past couple of weeks, were mixed.

Morgan Profit Increased 31%

United Press International

NEW YORK — J.P. Morgan & Co. reported Wednesday that net income rose 31 percent to a record \$2.76 a share in the first quarter from \$2.09 a share a year earlier despite a "significant" increase in loan-loss provisions.

Morgan, whose principal subsidiary is the Morgan Guaranty Trust, the fifth-largest U.S. bank, said total net income rose to \$117.8 million from \$86 million. Morgan attributed the rise principally to increased net interest income, but said earnings from foreign exchange dealings and investments were also sharply higher.

Provision for credit losses was \$70 million in the first quarter, up from \$17 million in the comparable period last year. Morgan, along with other major banks, has adopted new Securities and Exchange Commission reporting rules that require reporting of net income instead of income before securities transactions.

Carmakers Expected To Move Into Black

The Associated Press

DETROIT — U.S. automakers should post first-quarter profits of at least \$630 million in the coming weeks, marking the companies' best showing in the period in four years, auto industry analysts say.

On the optimistic side, total profits could go as high as \$940 million, the analysts said Tuesday.

"It will make good reading compared with the first quarter of last year," said David Healy, an analyst at Drexel Burnham Lambert in New York.

The last profitable first quarter for the automakers was in early 1979 before the sales slump hit, when they earned \$1.83 billion. In the first quarter of last year, they lost \$74.8 million.

General Motors' earnings are expected to be at least 3 1/2 times what they were a year ago; Ford will be in the black instead of a money-loser as it was last year, and Chrysler will register an operating profit of at least \$100 million, analysts said.

The better outlook is "primarily because of the higher volume [of production]," Mr. Healy said. U.S. car production in the first quarter rose 40.3 percent from a year earlier.

Cost-cutting, such as payroll slashing in the past three years, and better productivity from higher production volumes also will improve efficiency and aid first-quarter profits, said Philip Fricke, analyst at Goldman Sachs in New York.

"The mix of sales is a lot better, too," Mr. Healy said, noting the good sales of higher-priced larger cars and luxury and performance models. The vehicles have been in demand as gasoline prices have dropped and stabilized.

Specifically, GM profit in the quarter could range from \$450 million, according to Mr. Fricke, to \$600 million, according to Mr. Healy.

It would be the No. 1 U.S. automaker's best showing in the period since it earned \$1.26 billion in early 1979. GM earned \$128.3 million in the first three months of 1982 and \$96.7 million for all of 1982.

Ford lost \$302 million in the first quarter of last year but will fare better this year. Mr. Healy said he projects Ford profit of \$200 million or less, while Mr. Fricke said the low point would be a \$100 million profit in the quarter.

It would be Ford's first money-making first quarter since it earned \$395 million in the first quarter of 1979. Ford lost \$657.8 million in all of 1982.

Chrysler officials already have said they expect the \$100 million operating profit in early 1983. Mr. Healy said Chrysler might get as much as \$130 million in the quarter, while Mr. Fricke said he expects "a \$100 million plus."

Chrysler earned \$149.9 million in the first quarter of last year but it was the result of the sale of its defense subsidiary. Beyond that, Chrysler has not had a profitable first quarter since it earned \$75.4 million in early 1977.

Chrysler earned \$170.1 million in all of 1982.

Mr. Healy said he expects American Motors Corp. to remain in the red for a 12th straight quarter but he did not have a figure. Arvid Jouppe, an independent analyst in Detroit, said he projects AMC will make a profit of up to \$10 million in the quarter.

AMC lost \$51 million in early 1982 and has not had a profitable first three months of a year since it made \$12.2 million in 1980. AMC lost \$153.5 million in 1982.

Auto Sales Up In Early April

Compiled by Our Staff From Dispatches

DETROIT — General Motors said Wednesday that its early April car sales rose 55.2 percent from a year earlier and that it would recall an estimated 16,000 laid-off workers.

It said domestic car sales for the eight selling days to April 10 rose to 104,978 compared with 76,093 a year ago, when there were nine selling days in the period. Year-to-date car sales were up 5.2 percent.

At Chrysler, sales were up 7.1 percent for the early April period and 7.3 percent for the year to date. American Motors Corp. registered the biggest gains, a 127 percent increase for early April and a 118.6 percent increase for the year.

Ford said early April car sales were down 6 percent and for the year were off less than 1 percent.

Of the worker recalls, GM President F. James McDonald said, "This is the result of the excellent customer acceptance of our 1983 products and increasing orders from our dealers for new vehicles, which are at their highest level in three years."

It is the second large callback of workers at GM since the beginning of this year.

In late January, GM called back 21,000 workers, affecting assembly plants in Massachusetts, Texas, Oklahoma, Ohio, Missouri and in Detroit.

Dow Jones Averages				
Open	High	Low	Close	Chg
30 Ind	114.60	114.54	114.54	+1.32
30 Ind	158.24	158.20	158.24	+1.15
30 Ind	62.64	61.88	62.64	+1.42

Standard & Poor's Index				
Open	High	Low	Close	Chg
Composite	158.24	158.20	158.24	+1.15
Utilities	62.64	61.88	62.64	+1.42
Transp.	27.36	26.71	27.36	+1.11

Odd-Lot Trading in N.Y.				
Buy	Sell	Size	Price	Chg
April 17	247,500	27,750	2,222	
April 18	247,500	27,750	2,222	
April 19	247,500	27,750	2,222	
April 20	247,500	27,750	2,222	
April 21	247,500	27,750	2,222	
April 22	247,500	27,750	2,222	
April 23	247,500	27,750	2,222	
April 24	247,500	27,750	2,222	
April 25	247,500	27,750	2,222	
April 26	247,500	27,750	2,222	
April 27	247,500	27,750	2,222	
April 28	247,500	27,750	2,222	
April 29	247,500	27,750	2,222	
April 30	247,500	27,750	2,222	

Market Summary, April 13									
Market Diaries					NYSE Index				
NYSE	AMEX	High	Low	Close	Composite	High	Low	Close	Chg
100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

AMEX Stock Index									
High	Low	Close	Chg	Volume	High	Low	Close	Chg	Volume
100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

NYSE Most Active									
Symbol	High	Low	Close	Chg	Symbol	High	Low	Close	Chg
IBM	100.00	100.00	100.00	100.00	IBM	100.00	100.00	100.00	100.00

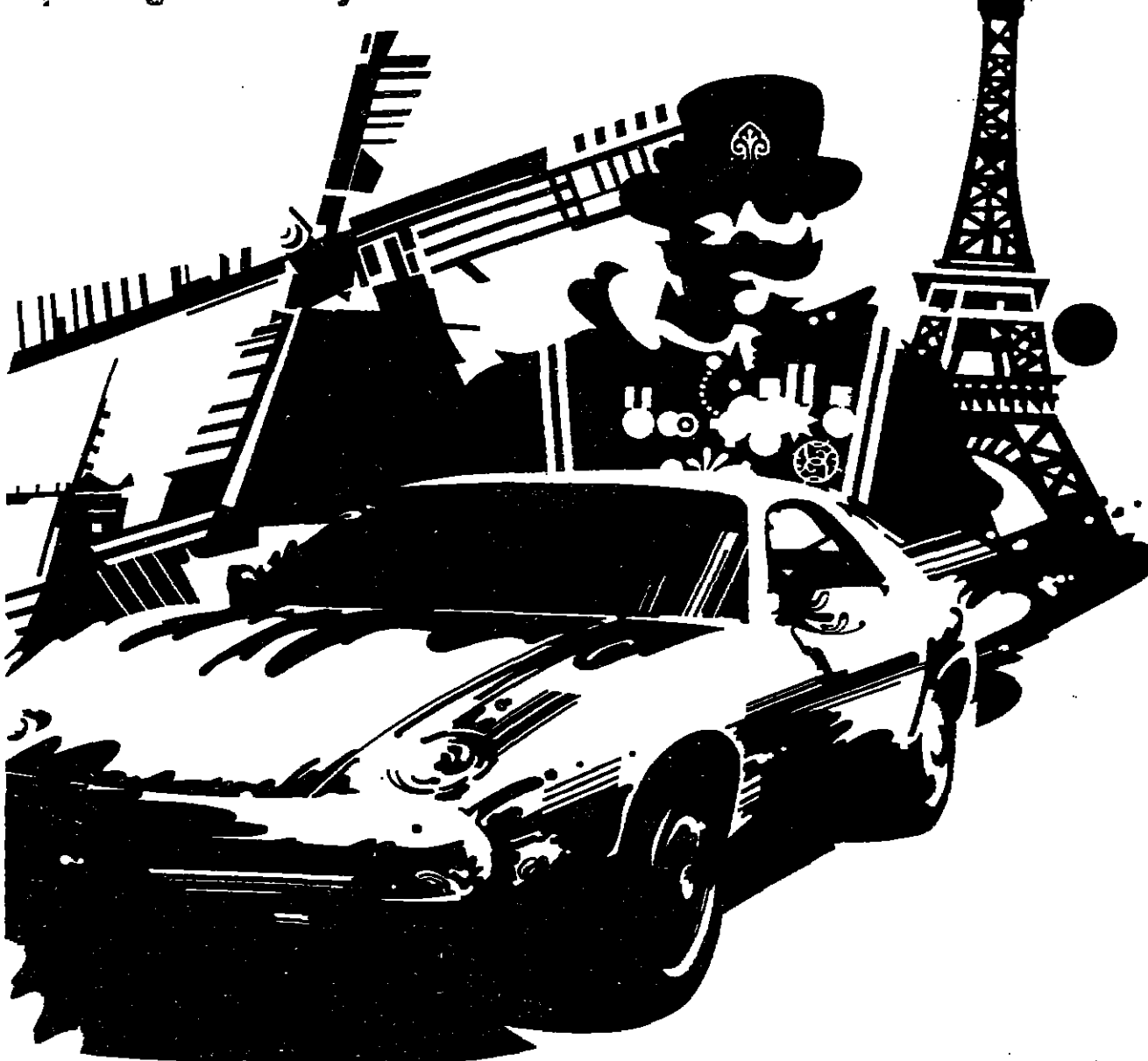
Dow Jones Bond Averages									
High	Low	Close	Chg	Volume	High	Low	Close	Chg	Volume
100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Wednesday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

12 Month	High	Low	Stock	Div.	Yld.	P/E	100s	High	Low	Close	Chg
12%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

OPPORTUNITY: Europeans spend \$2 billion a year replacing exhaust systems.



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IC Industries

For more information on this and other IC Industries opportunities, please write: IC Industries, European Office, 35, ch. Moise-Duboulet, CH-1209 Geneva, Switzerland.

12 Month	High	Low	Stock	Div.	Yld.	P/E	100s	High	Low	Close	Chg
12%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

All of these securities having been sold, this announcement appears as a matter of record only.

April, 1983

26,000,000 Shares

CHRYSLER CORPORATION

Common Stock
(without par value)

Salomon Brothers Inc. The First Boston Corporation

Lehman Brothers Kuhn Loeb Merrill Lynch White Weld Capital Markets Group

E. F. Hutton & Company Inc. Merrill Lynch, Pierce, Fenner & Smith Incorporated

Bear, Stearns & Co. Blyth Eastman Paine Webber Dillon, Read & Co. Inc. Donaldson, Lufkin & Jenrette

Drexel Burnham Lambert Goldman, Sachs & Co. Kidder, Peabody & Co. Lazard Frères & Co.

Prudential-Bache L. F. Rothschild, Unterberg, Towbin Shearson/American Express Inc.

Smith Barney, Harris Upham & Co. Warburg Paribas Becker Wertheim & Co., Inc. Dean Witter Reynolds Inc.

Sanford C. Bernstein & Co., Inc. A. G. Becker Alex. Brown & Sons

A. G. Edwards & Sons, Inc. Thomson McKinnon Securities Inc.

ABD Securities Corporation Advest, Inc. Allen & Company Atlantic Capital

Basie Securities Corporation Daiwa Securities America Inc. Dominion Securities Ames Inc.

F. Eberstadt & Co., Inc. EuroPartners Securities Corporation Robert Fleming Hudson Securities, Inc.

Kleinwort, Benson Ladenburg, Thalmann & Co. Inc. Moseley, Hallgarten, Estabrook & Weeden Inc.

The Nikko Securities Co. Nomura Securities International, Inc. Rothschild Inc.

Tucker, Anthony & R. L. Day, Inc. Wood Gundy Incorporated Yamaichi International (America), Inc.

BUSINESS BRIEFS

Belgium's Central Bank Lowers Its Discount Rate by 1% to 10%

BRUSSELS (Combined Dispatches) — The National Bank lowered Belgium's key lending rate by 1 point to 10 percent Wednesday. The bank said the decision would facilitate the reduction of short-term credit rates in Belgium and was made possible by the easing of conditions on the money market.

A drop in the discount rate had been expected in financial circles but many foreign exchange dealers anticipated a ½ point drop. "This confirms the aggressive policy the bank has adopted" in pushing interest rates down, one banking source said.

On March 23, the National Bank lowered the discount rate a record 3 points to 11 percent. The move was viewed as a gamble at the time, but dealers now agree it paid off.

The Belgian franc, which was upvalued in the European Monetary System one day before the 3-point reduction in the key lending rate, has remained firm since then.

Baldwin-United Gets Debt Delay

NEW YORK (NYT) — Baldwin-United has signed a 93-day standstill agreement with its creditor banks, according to the company and bankers.

Under the agreement reached Monday, which expires July 15, the company said it would make monthly interest payments on about \$900 million in short-term debt owed to two groups of banks. According to a banking source, Baldwin will pay 11 percent interest on this debt. That would be nearly \$25 million for the three-month period on a \$900 million debt, although neither the company nor its bankers would specify the amount.

Baldwin, a financial services company with a number of insurance subsidiaries, has been trying since mid-March to get an extension of 90 days or more on payment of this debt, most of it due by early summer. Since mid-March, the company's creditors have granted two extensions, the first for two weeks, the second for one week. The latest extension had expired on April 4.

Belzberg Firm in Bid for Bekins

LOS ANGELES (LAT) — The wealthy Belzberg family of Vancouver, Canada, apparently encouraged by Bekins Co. Chairman Stanley Hiller Jr. and in alliance with one other Bekins director, Tuesday made a surprise \$77.2 million bid to take over Bekins.

Bekins is considered America's largest local mover and storage company and the fifth-largest interstate mover. The Belzbergs' offer of \$20 a share came through Far West Financial Corp., a savings-and-loan holding company they control.

If it is successful, up to 10 percent of the new company would be owned by BEFT Corp., an investment company formed by Bekins director Donald M. Bekins that tried an unsuccessful takeover a year ago. The latest offer is conditioned on tender of at least 49 percent of Bekins's 3.86 million shares. The offer is to begin by Monday.

Sony Expects Weaker 6 Months

TOKYO (Reuters) — Sony said Wednesday that parent company sales in the half-year to April 30 are expected to be below the 446 billion yen (\$1.9 billion) of same period a year earlier because of cuts in export sales to help reduce large stockpiles overseas.

Recurrent and after-tax profits will be substantially affected by the reduced sales figures, a Sony spokesman said, but declined to give details.

Nixdorf Sees Continued Growth

FRANKFURT (Reuters) — Nixdorf Computer of West Germany expects growth of both sales and profit to continue this year, senior company officials said Wednesday.

Plans have been working overtime to meet demand and new orders in the first quarter were up 30 percent, they said. Net profit rose 77 percent to 72.8 million Deutsche marks (\$30.3 million) in 1982 and turnover was up 18 percent at 2.29 billion DM.

Deputy Chairman Klaus Luft said sales will again increase by more than 10 percent this year, with profit at least keeping pace, although prices for computers and related equipment will probably remain relatively constant.

Carrian Plans Debt Reduction

HONG KONG (Reuters) — The Carrian group expects to reduce its total liabilities to 650 million Hong Kong dollars (\$97 million) from the current 6.3 billion by a package including new share issues and the disposal of assets, company sources said Wednesday.

The group said in a statement it has proposed to creditors of Carrian Investments that they should convert part of their debt into equity. The total indebtedness of Carrian Investments is estimated at about 2.3 billion dollars, the sources said.

The sources said the Carrian group is expected to derive a total of 1.1 billion dollars from sales of its stakes in China Underwriters Life, General Insurance Co., Union Bank of Hong Kong and properties in Singapore. It said another 1 billion dollars is expected from sales of ships by Grand Marine Holdings.

Exxon Holds Lead in Fortune List

NEW YORK (UPI) — Exxon, the largest oil company, again grabbed the top spot on the Fortune 500 list of the largest U.S. industrial corporations, while General Motors regained the No. 2 post by bumping Mobil to No. 3, the magazine's new rankings showed Wednesday.

IBM, although ranked sixth on the 1983 Fortune 500 list which uses sales as the ranking criteria, overtook Exxon as the nation's top profit-maker. The computer manufacturer earned \$4.4 billion last year.

But the recession took a heavy toll on the performance of the majority of Fortune 500 companies last year and shook up many of the top 100 standings. The list became devoid of any company with more than \$100 billion in revenues as Exxon's revenues dipped to below the \$100 billion mark — to \$97.2 billion — for the first time since 1979.

U.S. Prime Rate of 7% Predicted

BRUSSELS (AP) — The U.S. prime lending rate will drop to about 9 percent this year and to 7 percent in late 1984, John Torell, president of Manufacturers Hanover Trust Co., predicted Wednesday.

He also said economic growth in the United States probably will reach at least 3 percent this year but that unemployment will remain in double digits.

Audi to Start Selling New Auto in Japan

United Press International

TOKYO — Audi of West Germany said Wednesday that it will market a new passenger car in Japan on Saturday in partnership with a Japanese distributor.

The company said the front-wheel drive Audi 100, which was introduced in Europe in September, will sell for 4.97 million yen (\$20,950) in Tokyo.

Net Asset Value on April 7, 1983

Pacific Selection Fund N.Y.

U.S. \$3.37 per U.S. \$1 unit.

Pacific Selection Fund N.Y.

Gold Options (prices in \$/oz)

May 11.50-11.59

June 11.60-11.69

July 11.70-11.79

Aug 11.80-11.89

Sept 11.90-11.99

Oct 12.00-12.09

Nov 12.10-12.19

Dec 12.20-12.29

Gold 485.00-490.00

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1, Quai de Mont-Blanc

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OECD Expects France To Halve Trade Gap

Reuters

PARIS — The Organization for Economic Cooperation and Development predicted Wednesday that the French economy would grow 0.5 percent this year and the trade deficit would be halved.

Economists called the figure was too optimistic. They observed that the forecast was drawn up before the government announced a package of austerity measures last month designed to cut France's trade deficit and ease inflation.

Most economists said that if the measures, which included steps to dampen consumer spending and boost investment, had been taken into account then the OECD forecast would have been for zero growth.

The OECD declined to comment on how the measures might have affected its predictions for the French economy, but a forecast for zero growth would have been in line with latest government projections.

In its annual report, the OECD implies that France's trade deficit will fall to around \$5.6 billion, close to the government's target, once oil price cuts have been taken into account.

The organization said that the better outlook for world trade should enable France to reduce its deficit by \$2.5 billion from last year's \$12.8 billion, but it added

that a \$5 drop in international oil prices would lop a further \$2.5 to \$3 billion off its import bill.

However, the economists said this did not mean that the austerity measures, whose main aim was to bring trade into balance by the end of next year, were unnecessary.

Despite the OECD's optimistic outlook for trade and a forecast decline in the growth of imports and services to 1.1 percent from 3.7 percent in 1982, the government's controversial measures were still essential to achieve a significant cut in the trade deficit, they said.

The OECD expects as many as 200,000 people to join France's jobless total of more than two million by mid-1984, but it predicted continuing success for the government's anti-inflation drive, with the rate slowing to 8.7 percent this year from 10.9 percent in 1982.

The OECD declined to comment on how the measures might have affected its predictions for the French economy, but a forecast for zero growth would have been in line with latest government projections.

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France to Drop Video Measures

The Associated Press

PARIS — The French government will soon lift restrictions imposed last October to slow imports of Japanese-made video tape recorders, officials said Wednesday.

The measures have required importers to clear all their shipments through the small inland customs post at Fontenay rather than at the ports of entry. That created huge backlogs and at first reduced the number of machines imported from hundreds of thousands to hundreds, though the pace quickened again this year.

The officials said the decision to lift the restriction follows a meeting Tuesday between the new French trade minister, Edith Cresson, and Japanese Ambassador Hiroshi Uchida.

The king said the country would spend 260 billion riyals and expected revenue was 225 billion riyals.

The new budget represents a cut in spending from the 313 billion riyal government spending in the fiscal year just ending, the ministry said.

The king told the nation that the kingdom's exports of crude and its revenue have gone down because of a drop in international consumption of oil.

The Finance Ministry said the kingdom would continue to finance agricultural, industrial and real estate funds at the same level as in fiscal 1983 and would continue to subsidize food.

Qatar Cuts Spending

Qatar has cut its budget spending for the 12 months beginning Thursday to 3.85 billion Qatari riyals (\$1.06 billion) from 8.36 billion in the previous 18-month budget, Reuters quoted the government as saying Wednesday.

The reduction is 30.9 percent compared with the previous budget adjusted to an annual rate, the government said.

Nissan Plans Part Center

AMSTERDAM — Nissan announced Wednesday that it will build a spare parts center here to improve its service to Europe. It said it will invest 90 million guilders (\$33 million) to construct the facility, which is to employ 200 persons.

SEC Head Backs Law On Insider Trading

The Associated Press

WASHINGTON — John S.R. Shad, chairman of the U.S. Securities and Exchange Commission, urged Congress on Wednesday to approve legislation that would stiffen penalties against illegal insider trading in the stock market.

"Despite vigorous enforcement efforts, insider trading continues because it presents an opportunity to reap huge profits with little risk," he told a hearing of the House subcommittee on telecommunications, consumer protection and finance.

Insider trading, which is prohibited by federal securities law, means that an investor buys or sells securities on the basis of information that is not available to the public.

The commission, under Mr. Shad's leadership, has placed a

high priority on enforcing laws against insider trading.

But Mr. Shad told the subcommittee that the current penalties are not tough enough. "The existing risks are not sufficiently great, given the opportunities for gain, to deter insider trading."

He supported legislation, pending in Congress, that would amend the 1934 Securities Exchange Act to authorize the SEC to seek civil money penalties of up to three times the profits gained or loss avoided, through insider trading.

The commission can now only try to recover through civil action the amount an investor obtained improperly.

The proposed legislation also would increase the fines for most criminal violations of the exchange act from \$10,000 to \$100,000.

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